3.3 Counterparty.

(a) In accordance with Operating Agreement, sSection 10.1 ~~of this Agreement~~, the Office of the Interconnection shall implement this Agreement and administer the PJM Tariff. Under the Tariff and this Operating Agreement, the LLC administers the provision of transmission service and associated ancillary services to customers and operates and administers various centralized electric power and energy markets. In obtaining transmission service and in these centralized markets, customers conduct transactions with PJMSettlement as a counterparty. Market participants also may conduct bilateral transactions with other market participants and they may self-supply power and energy to the electric loads they serve. Such bilateral and self-supply arrangements are not transactions with PJMSettlement.

(b) For purposes of contracting with customers and conducting financial settlements regarding the use of the transmission capacity of the Transmission System, the LLC has established PJMSettlement. The LLC also has established PJMSettlement as the entity that is the Counterparty with respect to the agreements and transactions in the centralized markets that the LLC administers under the Tariff and the Operating Agreement (i.e., the agreements and transactions that are not bilateral arrangements between market participants or self-supply). PJMSettlement will serve as the Counterparty to Financial Transmission Rights and Auction Revenue Rights instruments held by a Market Participant. Any subsequent bilateral transfer of these instruments by the Market Participant to another Market Participant shall require the consent of PJMSettlement, but shall not implicate PJMSettlement as a contracting party with respect to such subsequent bilateral transfer.

(c) As specified in Operating Agreement, sSection 11 and Operating Agreement, Schedule 4, Members agree that PJMSettlement is the Counterparty to certain transactions as specified in this Operating Agreement and the PJM Tariff.

(d) As a party to the Consolidated Transmission Owners Agreement, the LLC has acquired the right to use the transmission capacity of the transmission system that is required to provide service under the PJM Tariff and the authorization to resell transmission service using such capacity on the transmission system. Under the Consolidated Transmission Owners Agreement, the LLC compensates the Transmission Owners for the use of their transmission capacity by distributing certain revenues to the Transmission Owners as set forth in the PJM Tariff and the Consolidated Transmission Owners Agreement. The LLC has assigned its right to use the transmission capacity of the Transmission System to PJMSettlement. Accordingly, PJMSettlement shall compensate the Transmission Owners for the use of the transmission capacity required to provide service under the PJM Tariff and this Agreement.

(e) Unless otherwise expressly stated in the PJM Tariff or this Agreement, PJMSettlement shall be the Counterparty to the customers purchasing Transmission Service and Network Integration Transmission Service, and to the other transactions with customers and other entities under the PJM Tariff and this Agreement.

(f) PJMSettlement shall not be a contracting party to other non-transmission transactions that are (i) bilateral transactions between market participants, or (ii) self-supplied or self-scheduled transactions reported to the LLC.

(g) Notwithstanding the foregoing, PJMSettlement shall not be the Counterparty with respect to agreements and transactions regarding the LLC's administration of Tariff, Part~~s~~ IV and Tariff, Part VI, Tariff, Schedule~~s~~ 1, Tariff, Schedule 9 (excluding Schedule 9-PJMSettlement), Tariff, Schedule 10-NERC, Tariff, Schedule10-RFC, Tariff, Schedule 14, Tariff, Schedule 16, Tariff, Schedule 16-A, and Tariff, Schedule 17~~ of the PJM Tariff~~.

(h) Confidentiality. PJMSettlement shall be bound by the same confidentiality requirements as the LLC.

(i) PJMSettlement Costs. All costs of the services provided by PJMSettlement for the benefit of Market Participants and Transmission Customers shall be included in the charges for Administrative Services set forth in Schedule 9-PJMSettlement of the PJM Tariff.

(j) Amendment of Previously Effective Arrangements**.**

(i) Transmission Service Agreements. Transmission Service Agreements in effect at the time this s~~S~~ection 3.3 becomes effective shall be deemed to be revised to include PJMSettlement as a Counterparty to the Transmission Service Agreement in the same manner and to the same extent as agreements entered after the effective date of this s~~S~~ection 3.3.

(ii) Reliability Pricing Model. PJMSettlement shall be the Counterparty to the transactions arising from the cleared Base Residual Auctions and Incremental Auctions that occurred prior to the effective date of this s~~S~~ection 3.3 and for which delivery will occur after the effective date of this s~~S~~ection 3.3 in the same manner and to the same extent as transactions arising from auctions cleared after the effective date of this s~~S~~ection 3.3.

(iii) Auction Revenue Rights and Financial Transmission Rights. PJMSettlement shall be the Counterparty with respect to the rights and obligations arising from Auction Revenue Rights and Financial Transmission Rights acquired in an auction or assigned by PJM prior to the effective date of this s~~S~~ection 3.3 to the same extent as with respect to rights and obligations arising from auctions or assignments of Auction Revenue Rights and Financial Transmission Rights after the effective date of this s~~S~~ection 3.3.

4.1 Effective Date and Termination.

(a) The existence of the LLC commenced on March 31, 1997, as provided in the Certificate of Formation and Certificate of Conversion which were filed with the Recording Office on March 31, 1997. This Agreement shall amend and restate the Operating Agreement of PJM Interconnection, LLC as of the Effective Date.

(b) The LLC shall continue in existence until terminated in accordance with the terms of this Agreement. The withdrawal or termination of any Member is subject to the provisions of Operating Agreement, s~~S~~ection 18.18~~ of this Agreement~~.

(c) Any termination of this Agreement or withdrawal of any Member from the Agreement shall be filed with the FERC pursuant to Section 205 of the Federal Power Act and shall become effective only upon the FERC's approval, acceptance without suspension, or, if suspended, the expiration of the suspension period before the FERC has issued an order on the merits of the filing.

5.1 Funding of Working Capital and Capital Contributions.

(a) The Office of the Interconnection shall attempt to obtain financing of up to twenty-five percent (25%) of the approved annual operating budget of the LLC adopted by the PJM Board pursuant to Operating Agreement, sSection 7.5.2 ~~of this Agreement~~ to meet the working capital needs of the LLC, which shall be limited to such working capital needs that arise from timing in cash flows from interchange accounting, tariff administration and payment of the operating costs of the Office of the Interconnection. Such financing, which shall be non-recourse to the Members of the LLC and which shall be for a stated term without penalty for prepayment, may be obtained by borrowing the amount required at market-based interest rates, negotiated on an ~~arm's~~ arm's length basis, (i) from a Member or Members or (ii) from a commercial lender, supported, if necessary, by credit enhancements provided by a Member or Members; provided, however, no Member shall be obligated to provide such financing or credit enhancements. The LLC shall make such filings and seek such approvals as necessary in order for the principal, interest and fees related to any such borrowing to be repaid through charges under the ~~PJM~~ Tariff as appropriate under Operating Agreement, Schedule 3 ~~of this Agreement~~.

(b) In the event financing of the working capital needs of the Office of the Interconnection is unavailable on commercially reasonable terms, the PJM Board may require the Members to contribute capital in the aggregate up to five million two hundred thousand dollars ($5,200,000) for the working capital needs that could not be financed; provided that in such event each Member'~~'~~s obligation to contribute additional capital shall be in proportion to its Weighted Interest, multiplied by the amount so requested by the PJM Board. Each Member that contributes such capital shall be entitled to earn a return on the contribution to the extent such contribution has not been repaid, which return shall be at a fair market rate as determined by the PJM Board but in no event less than the current interest rate established pursuant to 18 C.F.R. § 35.19a(a)(2)(iii); provided further, that any Member not wanting to contribute the requested capital contribution may withdraw from the LLC upon 90 days written notice as provided in Operating Agreement, sSection 18.18.2 ~~of this Agreement~~.

(c) Authority to borrow capital for LLC Operations. Nothing in sSection 5.1(a) and (b) above, shall be construed to restrict the authority of the PJM Board to authorize the LLC to borrow or raise capital in excess of twenty-five percent of the approved annual operating budget of the LLC, for working capital or otherwise, as the PJM Board deems appropriate to fund the operations of the LLC, in accordance with the general powers of the LLC under Operating Agreement, sSection 3.2 to enter into obligations of any kind to accomplish the purposes of the LLC. Nor shall anything in sSection 5.1(a) and (b) above, in any way restrict the authority of the PJM Board to authorize the LLC to grant to lenders such security interests or other rights in assets or revenues received under the PJM Tariff with respect to the costs of operating the LLC and the Office of the Interconnection and to take such other actions as it deems necessary and appropriate to obtain such financing in accordance with such general powers of the LLC under Operating Agreement, sSection 3.2.

6.2 Return of Capital Contributions.

(a) In the event Members are required to contribute capital to the LLC in accordance with Operating Agreement, sSection 5.1 ~~herein~~, the LLC shall request the Transmission Owners to recover such working capital through charges under the PJM Tariff as provided in Operating Agreement, Schedule 3 ~~of this Agreement~~. In the event all or a portion of the working capital is recovered pursuant to the PJM Tariff, such amount(s) shall be returned to the Members in accordance with their actual contributions.

(b) Except for return of capital contributions and liquidating distributions as provided in the foregoing section and Operating Agreement, sSection 6.3 ~~herein~~, respectively, the LLC does not intend to make any distributions of cash or other assets to its Members.

7.1 Composition.

There shall be an LLC Board of Managers, referred to herein as the "PJM Board," composed of nine voting members, with the President as a non-voting member. The nine voting Board Members shall be elected by the Members Committee. A Nominating Committee, consisting of one representative elected annually from each sector of the Members Committee established under Operating Agreement, sSection 8.1 and three voting Board Members (provided that one such Board Member shall serve only as a non-voting member of the Nominating Committee), shall retain an independent consultant, which shall be directed to prepare a list of persons qualified and willing to serve on the PJM Board. Not later than 30 days prior to each Annual Meeting of the Members, the Nominating Committee shall distribute to the representatives on the Members Committee one nominee from among the list proposed by the independent consultant for each vacancy or expiring term on the PJM Board, along with information on the background and experience of the nominees appropriate to evaluating their fitness for service on the PJM Board; provided, however, that the Nominating Committee in its discretion may nominate, without retaining an independent consultant, a Board member whose term is expiring and who desires to serve an additional term. Elections for the PJM Board shall be held at each Annual Meeting of the Members, for the purpose of selecting the initial PJM Board in accordance with the provisions of Operating Agreement, sSection 7.3(a), or selecting a person to fill the seat of a Board Member whose term is expiring. Should the Members Committee fail to elect a full PJM Board from the nominees proposed by the Nominating Committee, then the Nominating Committee shall propose a further nominee from the list prepared by the independent consultant (or a replacement consultant) for each remaining vacancy on the PJM Board for consideration by the Members at the next regular meeting of the Members Committee.

7.3 Term of Office.

(a) The persons serving as the Board of Managers of the LLC immediately prior to the Effective Date shall continue in office until the first Annual Meeting of the Members. At the first Annual Meeting of the Members, the then current members of the PJM Board who desire to continue in office shall be elected by the Members to serve until the second Annual Meeting of the Members or until their successors are elected, along with such additional persons as necessary to meet the composition requirements of Operating Agreement, s~~S~~ection 7.1 and the qualification requirements of Operating Agreement, s~~S~~ection 7.2.

(b) A Board Member shall serve for a term of three years commencing with the Annual Meeting of the Members at which the Board Member was elected; provided, however, that two of the Board Members elected at the first Annual Meeting of the Members following the Effective Date shall be chosen by lot to serve a term of one year, three of such Board Members shall be chosen by lot to serve a term of two years and the final two such Board Members shall serve a term of three years; provided further, however, that the initial term of one of the two Board Members elected to fill one of the two new Board seats added in 2003 shall be chosen by lot to serve a term of four years and the initial term of the other Board Member elected to fill the other new Board seat added in 2003 shall serve a term of five years.

(c) Vacancies on the PJM Board occurring between Annual Meetings of the Members shall be filled by vote of the then remaining Board Members; a Board Member so selected shall serve until the next Annual Meeting at which time a person shall be elected to serve the balance of the term of the vacant Board Seat. Removal of a Board Member shall require the approval of the Members Committee.

7.5 Operating and Capital Budgets; Sources and Uses of Funds.

7.5.1 Finance Committee.

(a) Not later than December 1 of each year, the entities specified below shall select the members of a Finance Committee. The Finance Committee shall be composed of two representatives elected from each sector of the Members Committee as defined in Operating Agreement, section 8.1, one representative of the Office of the Interconnection selected by the President, and two Board Members selected by the PJM Board. The Office of the Interconnection representative shall be the Chair of the Finance Committee. The Chair of the Finance Committee and the two PJM Board Members on the Finance Committee shall not vote on the recommendations of the Finance Committee to the PJM Board and Members Committee. Each Member Representative of the PJM Finance Committee shall be entitled to vote on final recommendations to the PJM Board and the PJM Members Committee. The Member Representatives shall represent the interests of their respective sectors. In accordance with Operating Agreement, sections 7.7 and Operating Agreement, section 11.1 ~~of the Operating Agreement~~, the Members Representatives shall avoid undue influence by any Member or group of Members on the operations of PJM and Member management of the business of PJM.

(b) The purpose of the PJM Finance Committee is to review PJM's consolidated financial statements, budgeted and actual capital costs, operating budgets and expenses, and cost management initiatives and in an advisory capacity to submit to the PJM Board its analysis of and recommendations on PJM's annual budgets and on other matters pertaining to the appropriate level of PJM's rates, proposed major new investments and allocation and disposition of funds consistent with PJM's duties and responsibilities as specified in Operating Agreement, s~~S~~ection 7.7 ~~of this Agreement~~. The Finance Committee shall also review and comment upon any additional or amended budgets prepared by the Office of the Interconnection at the request of the PJM Board or the Members Committee. Copies of the Finance Committee's submissions to the PJM Board shall be provided to the Members Committee.

(c) The Office of the Interconnection shall prepare annual operating and capital budgets and multi-year projections of expenses and capital in accordance with processes and procedures established by the PJM Board, and shall timely submit its budgets to the Finance Committee for review. The Office of the Interconnection shall also provide the Finance Committee with such additional financial information regarding other matters pertaining to the appropriate level of PJM's rates, proposed major new investments and allocation and disposition of funds as may be reasonably requested by the Finance Committee to assist it with its review. PJM shall provide complete and transparent financial data and reporting to all Members through the PJM Finance Committee, such data and reporting to include but not necessarily be limited to: unaudited quarterly PJM financial statements; audited annual PJM financial statements; quarterly PJM FERC Form 3-Q; annual PJM FERC Form 1; and PJM budget and forecast data and Results.

7.5.2 Adoption of Budgets.

The PJM Board shall adopt, upon consideration of the advice and recommendations of the Finance Committee, operating and capital budgets for the LLC, and shall distribute to the

Members for their information final annual budgets for the following fiscal year not later than 60 days prior to the beginning of each fiscal year of the LLC.

7.7 Duties and Responsibilities of the PJM Board.

In accordance with this Agreement, the PJM Board shall supervise and oversee all matters pertaining to the PJM Region and the LLC, and carry out such other duties as are herein specified, including but not limited to the following duties and responsibilities:

i) As its primary responsibility, ensure that the President, the other officers of the LLC, and Office of the Interconnection perform the duties and responsibilities set forth in this Agreement, including but not limited to those set forth in Operating Agreement, ~~S~~section~~s~~ 9.2, Operating Agreement, section 9.3, Operating Agreement, section ~~through~~ 9.4 and Operating Agreement, s~~S~~ection 10.4 in a manner consistent with (A) the safe and reliable operation of the PJM Region, (B) the creation and operation of a robust, competitive, and non-discriminatory electric power market in the PJM Region, and (C) the principle that a Member or group of Members shall not have undue influence over the operation of the PJM Region;

ii) Select the Officers of the LLC;

iii) Adopt budgets for the LLC;

iv) Approve the Regional Transmission Expansion Plan in accordance with the provisions of the Regional Transmission Expansion Planning Protocol set forth in Operating Agreement, Schedule 6 ~~of this Agreement~~;

v) On its own initiative or at the request of a User Group as specified herein, submit to the Members Committee such proposed amendments to this Agreement or any Schedule hereto, or a proposed new Schedule, as it may deem appropriate;

vi) Petition FERC to modify any provision of this Agreement or any Schedule or practice hereunder that the PJM Board believes to be unjust, unreasonable, or unduly discriminatory under section 206 of the Federal Power Act, subject to the right of any Member or the Members to intervene in any resulting proceedings;

vii) Review for consistency with the creation and operation of a robust, competitive and non-discriminatory electric power market in the PJM Region any change to rate design or to non-rate terms and conditions proposed by Transmission Owners for filing under section 205 of the Federal Power Act;

viii) If and to the extent it shall deem appropriate, intervene in any proceeding at FERC initiated by the Members in accordance with Operating Agreement, s~~S~~ection 11.5(b), and participate in other state and federal regulatory proceedings relating to the interests of the LLC;

ix) Review, in accordance with Operating Agreement, s~~S~~ection 15.1.3, determinations of the Office of the Interconnection with respect to events of default;

x) Assess against the other Members in proportion to their Default Allocation Assessment an amount equal to any payment to PJMSettlement and the Office of the Interconnection, including interest thereon, as to which a Member is in default;

xi) Establish reasonable sanctions for failure of a Member to comply with its obligations under this Agreement;

xii) Direct the Office of the Interconnection on behalf of the LLC and PJMSettlement to take appropriate legal or regulatory action against a Member (A) to recover any unpaid amounts due from the Member to the Office of the Interconnection under this Agreement and to make whole any Members subject to an assessment as a result of such unpaid amount, or (B) as may otherwise be necessary to enforce the obligations of this Agreement;

xiii) [Reserved.]

xiv) [Reserved.]

xv) Solicit the views of Members on, and commission from time to time as it shall deem appropriate independent reviews of, (a) the performance of the PJM Interchange Energy Market, (b) compliance by Market Participants with the rules and requirements of the PJM Interchange Energy Market, and (c) the performance of the Office of the Interconnection under performance criteria proposed by the Members Committee and approved by the PJM Board; and

xvi) Terminate a Member as may be appropriate under the terms of this Agreement.

8.1 Sectors.

8.1.1 Designation.

Voting on the Senior Standing Committees shall be by sectors. The Senior Standing Committee shall be composed of five sectors, one for Generation Owners, one for Other Suppliers, one for Transmission Owners, one for Electric Distributors, and one for End-Use Customers, provided that there are at least five Members in each Sector. Except as specified in Operating Agreement, ~~s~~Section 8.1.2, each Voting Member shall have one vote. Each Voting Member shall, within thirty (30) days after the Effective Date or, if later, thirty (30) days after becoming a Member, and thereafter not later than 10 days prior to the Annual Meeting of the Members for each annual period beginning with the Annual Meeting of the Members, submit to the President a sealed notice of the sector in which it is qualified to vote or, if qualified to participate in more than one sector, its rank order preference of the sectors in which it wishes to vote, and shall be assigned to its highest-ranked sector that has the minimum number of Members specified above. If a Member is assigned to a sector other than its highest-ranked sector in accordance with the preceding sentence, its higher sector preference or preferences shall be honored as soon as a higher-ranked sector has five or more Members. A Voting Member may designate as its voting sector any sector for which it or its Affiliate or Related Party Members is qualified. The sector designations of the Voting Members shall be announced by the Office of the Interconnection at the Annual Meeting and shall apply to all Senior Standing Committees.

8.1.2 Related Parties.

The Members in a group of Related Parties shall each be entitled to a vote, provided that all the Members in a group of Related Parties that chooses to exercise such rights shall be assigned to the Electric Distributor sector.

8.1.3 Sector Challenge.

(a) Any Member ("Challenging Member') may request that PJM review the qualification of another Member ("Challenged Member") in the Challenging Member's sector to participate in that sector. Any five Members may request that PJM review the qualification of another Member to participate in the sector in which that Member is presently assigned.

(b) A request pursuant to section 8.1.3(a) above~~, of this Agreement~~ ("Challenge") shall be submitted in writing and shall describe the basis for the Challenge, which shall include, but not limited to, the reasons why the Challenged Member may not have any Active and Significant Business Interests in its present sector. Except for new Members, a Challenge must be submitted within 30 days after the Annual Meeting of the Members. For new Members, a Challenge must be submitted within 30 days after the meeting in which they are introduced.

(c) PJM shall review the Challenge and inform the Challenged Member of the Challenge by providing a copy of the Challenge to the Challenged Member as soon as practicable, and in no case later than 10 working days after PJM receives the Challenge.

(d) The Challenged Member shall submit to PJM a list of the sectors in which it is qualified to vote and its rank order preference of those sectors. PJM may also request information from the Challenged Member to assist in determining the Active and Significant Business Interests of Challenged Member. The Challenged Member shall respond to any such request within 60 days from the date of the request, which shall be the date the request was issued by PJM.

(e) Considering the sector definitions and Active and Significant Business Interests, PJM, in its sole discretion, shall determine if the Challenged Member meets the requirements to participate in its present sector. PJM shall make this determination within the later of 30 days after receiving the information provided pursuant to section 8.1.3(d) above ~~of this Agreement~~, or 10 days after the next scheduled meeting of the Members Committee.

(f) If the Challenged Member does not meet the requirements for its present sector, PJM shall assign the Challenged Member to the next highest preferred sector for which it is qualified in accordance with the rank order preference established by the Challenged Member pursuant to section 8.1.3(d) above ~~of this Agreement~~.

(g) PJM shall notify the Challenged Member and Challenging Member as soon as practicable after making a determination pursuant to section 8.1.3(e) above~~of this Agreement~~, and shall announce the outcome of any such determination at the Members Committee meeting following PJM's decision. PJM shall disclose the identity of the Challenging Party and the Challenged Party when making the announcement.

(h) If a sector is required pursuant to s~~S~~ection 8.1.3(e) above, it shall become effective on the date of the Members Committee meeting following PJM's decision.

(i) Until PJM rules on a Challenge, the Challenged Member shall remain in its present sector and shall be permitted to vote in that sector.

8.2 Representatives.

8.2.1 Appointment.

Each Member may appoint one representative to serve on each of the Standing Committees, potentially a different person for each committee, with authority to act for that Member with respect to actions or decisions thereof. Each Member may appoint up to three alternate representatives to each such committee to act for that Member at meetings thereof in the absence of the representative. A Member participating in the PJM Interchange Energy Market through an agent may be represented on the Standing Committee by that agent. A Member shall appoint its representatives and alternates by giving written notice thereof to the Office of the Interconnection. Members that are Affiliates or Related Parties may each appoint a representative and alternate representatives to each of the Standing Committees, but shall vote on Senior Standing Committees as specified in Operating Agreement, sSection 8.1.

8.2.2 Regulatory Authorities.

FERC and any other federal agency with regulatory authority over a Member and each State electric utility regulatory commission with regulatory jurisdiction within the PJM Region, may nominate one representative to serve as an ex officio non-voting member on each of the Standing Committees.

8.2.3 State Offices of Consumer Advocate.

(a) Each State Consumer Advocate may nominate one representative to serve as an ex officio member on each of the Standing Committees. Upon a written request by a State Consumer Advocate to the Office of the Interconnection, and upon the payment of the fee prescribed by Operating Agreement, Schedule 3, section (b) ~~of Schedule 3 to this Agreement~~, a State Consumer Advocate may designate a representative to each of the Standing Committees who, subject to subparagraph b, shall be entitled to cast one (1) non-divisible vote in the End-Use Customer Sector in Senior Standing Committees. As an ex officio member, a State Consumer Advocate shall have no liability under this Agreement, other than the annual fee required by Operating Agreement, Schedule 3. The State Consumer Advocates shall not be entitled to indemnification by the other Members under any provisions of this Agreement. Additionally, the State Consumer Advocates shall not be eligible to participate in any markets managed by PJM under the terms contained in this Agreement.

(b) Each State Consumer Advocate shall be entitled to cast only one (1) vote in the Senior Standing Committees per State or the District of Columbia. If more than one representative from a given state has been nominated to be a voting member of the Senior Standing Committees, all State Offices of Consumer Advocate from such state that have nominated representatives to vote at the Senior Standing Committees shall designate to the Office of the Interconnection one (1) representative who shall be entitled to vote on all of their behalf's, prior to being permitted to vote at any meetings of the Senior Standing Committees.

8.2.4 Initial Representatives.

Initial representatives to the Members Committee shall be appointed no later than 30 days after the Effective Date; provided, however, that each representative to the Management Committee under the Operating Agreement of PJM Interconnection, L.L.C. as in effect immediately prior to the Effective Date shall automatically become a representative to the Members Committee on the Effective Date unless replaced as specified in sSection 8.2.5 below. An entity becoming a Member shall appoint a representative to each Standing Committee no later than 30 days after becoming a Member.

8.2.5 Change of or Substitution for a Representative.

Any Member may change its representative or alternate on the Standing Committees at any time by providing written notice to the Office of the Interconnection identifying its replacement representative or alternate. Any representative to the Standing Committees may, by written notice to the applicable Chair, designate a substitute representative from that Member to act for him or her with respect to any matter specified in such notice.

8.3 Meetings.

8.3.1 Regular and Special Meetings.

The Standing Committees shall hold regular meetings, no less frequently than once each calendar quarter at such time and at such place as shall be fixed by the Chair thereof. The Members Committee may adopt bylaws, including rules of procedure, governing its meetings and activities and the meetings and activities of the other Standing Committees, and other committees, subcommittees, task forces, working groups and other bodies under its auspices. The Members Committee shall hold an Annual Meeting of the Members each calendar year at such time and place as shall be specified by the Chair. At the Annual Meeting of the Members, Board Members as necessary shall be elected. The Standing Committees may hold special meetings for one or more designated purposes within the scope of the authority of the applicable committee when called by the Chair on the Chair's own initiative, or at the request of five or more representatives on the applicable committee. The notice of a regular or special meeting shall be distributed to the representatives as specified in Operating Agreement, s~~S~~ection 18.14~~ of this Agreement~~ not later than seven days prior to the meeting, shall state the time and place of the meeting, and shall include an agenda sufficient to notify the representatives of the substance of matters to be considered at the meeting; provided, however, that meetings may be called on shorter notice at the discretion of the Chair as the Chair shall deem necessary to deal with an emergency or to meet a deadline for action.

8.3.2 Attendance.

Regular and special meetings may be conducted in person or by telephone, or other electronic means as authorized by the Members Committee. The attendance in person or by telephone or other electronic means of a representative or a duly designated substitute shall be required in order to vote.

8.3.3 Quorum.

The attendance as specified in Operating Agreement, ~~S~~section 8.3.2 of a majority of the Voting Members from each of at least three sectors that each have at least five Members shall constitute a quorum at any meeting of the Members Committee; however, a quorum shall only require ten Voting Members from any sector that has more than 20 Voting Members. At the beginning of any meeting of the Members Committee, a determination shall be made if a quorum is present. Once the determination is made that a quorum is present at the beginning of the meeting, a quorum will be deemed to continue during the entire scheduled time of the meeting, as specified in the notice of the meeting that is published and distributed as specified in Operating Agreement, s~~S~~ection 8.3.1~~ of this Agreement~~. Actions taken during this scheduled time will be deemed to have been taken with a quorum present, and quorum calls are not permitted during this scheduled time. Other than actions taken during the scheduled time for meeting of the Members Committee in accordance with this rule, no action may be taken by the Members Committee at a meeting unless a quorum is present. However, if a meeting of the Members Committee extends beyond its scheduled time, any Voting Members then present shall have the right to request a quorum call. The Voting Members then present shall have the power to

adjourn the meeting from time to time until a quorum shall be present. At the discretion of the Chair, administrative or reporting items may be accomplished if a quorum is not deemed to be present. A quorum shall not be required to conduct a meeting of any Committee other than the Members Committee; however, the Chair of any committee other than the Members Committee, in his discretion, may declare adjourned any meeting which fewer than ten Members attend.

8.4 Manner of Acting.

(a) The procedures for the conduct of meetings of the Standing Committees may be stated in bylaws adopted by the Members Committee.

(b) In a Senior Standing Committee, each Sector shall be entitled to cast one and zero one-hundredths (1.00) Sector Votes. Each Voting Member shall be entitled to cast one (1) non-divisible vote in its sector. In the case of a Voting Member comprised of Affiliates or Related Parties, any representative, alternate or substitute of any of the Affiliated or Related Parties may cast the vote of the Voting Member. The Sector Vote of each sector shall be split into an affirmative component based on votes for the pending motion, and a negative component based on votes against the pending motion, in direct proportion to the votes cast within the sector for and against the pending motion, rounded to two decimal places.

(c) The sum of affirmative Sector Votes necessary to pass a pending motion in a Senior Standing Committee shall be greater than (but not merely equal to) the product of .667 multiplied by the number of sectors that have at least five Members and that participated in the vote; provided, however, that the sum of the affirmative Sector Votes necessary to pass a motion to elect a Board Member or to elect the Chair or Vice Chair of the Members Committee shall be greater than (but not merely equal to) the product of .5 multiplied by the number of sectors that have at least five Members and that participated in the vote.

(d) Voting Members not in attendance at the meeting as specified in Operating Agreement, ~~S~~section 8.3.2 ~~of this Agreement~~ or abstaining shall not be counted as affirmative or negative votes.

8.6 Senior, Standing, and Other Committees.

The Members Committee shall establish and maintain the Markets and Reliability Committee as a Senior Standing Committee. The Members Committee also shall establish and maintain the Market Implementation Committee (under the Markets and Reliability Committee), and Planning Committee and Operating Committee (both under the Markets and Reliability Committee) as Standing Committees. The Members Committee may establish or dissolve other Standing Committees from time to time. The President shall appoint the Chair and Vice Chair of each Senior Standing Committee and Standing Committee and, after consultation with the Chair of a Standing Committee, the President shall appoint the Chair and Vice Chair of any other committees.

8.6.1 Markets and Reliability Committee.

The Markets and Reliability Committee shall be established by and report to the Members Committee.

The Markets and Reliability Committee shall provide advice and recommendations concerning the reliable and secure operation of the PJM Interchange Energy Market and Ancillary Services markets, mechanisms to provide an efficient marketplace for products needed for resource adequacy and operating security, and otherwise as directed by the Members Committee. The Markets and Reliability Committee also addresses matters related to the reliable and secure operation of the PJM system and planning strategies to assure the continued ability of the Members to operate reliably and economically, consistent with reliability principles and standards.

Voting on the Markets and Reliability Committee shall be by sectors in accordance with Operating Agreement, ~~S~~section~~s~~ 8.1 and Operating Agreement, section 8.4~~ of this Agreement~~. Neither the Markets and Reliability Committee nor the Members Committee shall have authority to control or direct the actions of the PJM Board or the Office of the Interconnection with regard to the short-term reliability of grid operations within the PJM Region. The responsibilities of the Markets and Reliability Committee shall, more specifically, include, but not be limited to, the following:

(a) The Markets and Reliability Committee shall develop and approve a Markets and Reliability Committee Annual Plan including prioritization of planned activities and initiation of activities supporting the approved plan.

(b) The Markets and Reliability Committee shall provide advice and recommendations concerning issues pertaining to the operation and administration of the PJM markets, including but not limited to amendments to PJM's Operating Agreement, the PJM Tariff, or market rules and procedures as necessary or appropriate to foster competition and assure the fair, reliable and efficient operation and administration of the PJM markets, as well as the reliable operation of the grid.

(c) The Markets and Reliability Committee shall provide advice and recommendations as are

necessary or appropriate to assure a high level of economy of service in the operation of the PJM Interchange Energy Market and other markets, in accordance with established market operation principles, practices and procedures, recognizing individual participant requirements for services, contractual obligations and other pertinent factors.

(d) The Markets and Reliability Committee shall provide advice and recommendations concerning studies and analyses relating to the overall efficacy of the PJM Interchange Energy Market and in carrying out actions as may be initiated as a result thereof.

(e) The Markets and Reliability Committee shall provide advice and recommendations concerning revisions to the Operating Agreement, the Reliability Assurance Agreement, and the PJM Tariff that pertain to its areas of responsibility.

(f) The Markets and Reliability Committee shall make annual and timely recommendations concerning the generating capacity reserve requirement and related demand-side valuation factors for consideration by the Members Committee, in order to assist the Members Committee in making recommendations to the PJM Board of Managers.

(g) The Markets and Reliability Committee shall provide direction to the Market Implementation Committee, which committee shall report to the Markets and Reliability Committee. The Market Implementation Committee shall provide advice and recommendations to the Markets and Reliability Committee directed to the advancement and promotion of competitive wholesale electricity markets in the PJM Region, and perform such other functions as the Markets and Reliability Committee may direct from time to time.

(h) The Markets and Reliability Committee shall provide direction to the Operating Committee and Planning Committee, which committees shall report to the Markets and Reliability Committee. The Operating Committee shall advise the Markets and Reliability Committee and PJM on matters pertaining to the reliable and secure operation of the PJM Region and the PJM Interchange Energy Market, as appropriate, and other matters as the Markets and Reliability Committee may request. The Planning Committee shall advise the Markets and Reliability Committee and PJM on matters pertaining to system reliability, security, economy of service, and planning strategies and policies and other matters as the Markets and Reliability Committee may request. The Markets and Reliability Committee shall review technical recommendations and changes initiated by the Operating Committee and Planning Committees and provide comments as needed.

(i) The Markets and Reliability Committee shall perform such other functions, directly or through delegation to a Standing Committee, subcommittee, working group or task force reporting to the Markets and Reliability Committee, as the Members Committee may direct.

(j) The Markets and Reliability Committee shall create subcommittees, working groups or task forces when needed to assist in carrying out the duties and responsibilities of the Markets and Reliability Committee.

8.6.2 [Reserved.]

8.6.3 Other Committees and Bodies.

The Standing Committees may form, select the membership, and oversee the activities, of such other committees, subcommittees, task forces, working groups or other bodies as it shall deem appropriate, to provide advice and recommendations to the Standing Committees or Office of the Interconnection. Each such group shall terminate automatically upon completion of its assigned tasks and, if not terminated, shall terminate two years after formation unless reauthorized by the Standing Committee that directed its formation.

8.7 User Groups.

(a) Any five or more Members sharing a common interest may form a User Group, and may invite such other Members to join the User Group as the User Group shall deem appropriate. Notification of the formation of a User Group shall be provided to all members of the Members Committee.

(b) The Members Committee shall create a User Group composed of representatives of bona fide public interest and environmental organizations that are interested in the activities of the LLC and are willing and able to participate in such a User Group.

(c) Meetings of User Groups shall be open to all Members and the Office of the Interconnection. Notices and agendas of meetings of a User Group shall be provided to all Members that ask to receive them.

(d) Any recommendation or proposal for action adopted by affirmative vote of three-fourths or more of the members of a User Group shall be submitted to the Chair of the Members Committee. The Chairman shall refer the matter for consideration by the applicable Standing Committee as appropriate for consideration at that Committee's next regular meeting, occurring not earlier than 30 days after the referral, for a recommendation to the Members Committee for consideration at its next regular meeting.

(e) If the Members Committee does not adopt a recommendation or proposal submitted by a User Group, upon vote of nine-tenths or more of the members of the User Group the recommendation or proposal may be submitted to the PJM Board for its consideration in accordance with Operating Agreement, ~~S~~section 7.7(v).

8.8 Powers of the Members Committee.

The Members Committee, acting by adoption of a motion as specified in Operating Agreement, ~~s~~Section 8.4, shall have the power to take the actions specified in this Agreement, including:

i) Elect the members of the PJM Board;

ii) In accordance with the provisions of Operating Agreement, ~~s~~Section 18.6 ~~of this Agreement~~, amend any portion of this Agreement, including the Schedules hereto, or create new Schedules, and file any such amendments or new Schedules with FERC or other regulatory body of competent jurisdiction;

iii) Adopt bylaws that are consistent with this Agreement, as amended or restated from time to time;

iv) Terminate this Agreement; and

v) Provide advice and recommendations to the PJM Board and the Office of the Interconnection.

9.2 President.

The PJM Board shall appoint a President and Chief Executive Officer of the LLC (the "President"). The President shall direct and supervise the day-to-day operation of the LLC, and shall report to the PJM Board. The President shall be responsible for directing and supervising the Office of the Interconnection in the performance of the duties and responsibilities specified in Operating Agreement, s~~S~~ection 10.4. The President shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the LLC, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the board to some other officer or agent of the LLC. In the absence of the President or in the event of his or her inability or refusal to act, and if a vice president has been appointed by the PJM Board, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated by the PJM Board in its Minutes) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice President shall perform such other duties and have such other powers as the PJM Board may from time to time prescribe.

10.2.1 Financial Interests:

No Board Member, officer or employee of the Office of the Interconnection, or spouse or dependent children thereof, shall own, control or hold with power to vote Prohibited Securities subject to the following:

1. Each Office of the Interconnection Board Member, officer, or employee or spouse or dependent children thereof, shall divest of those Prohibited Securities within six (6) months of: (i) the time of his affiliation or employment with the Office of the Interconnection, (ii) the time a new Member is added to this Agreement, a new Eligible Customer begins taking service under the Tariff or a Nonincumbent Developer is pre-qualified as eligible to be a Designated Entity pursuant to ~~schedule 6 of this~~ Operating Agreement, Schedule 6, where the Board Member, officer or employee of the Office of the Interconnection, or spouse or dependent children thereof owns such Prohibited Securities; or (iii) the time of receipt of such Prohibited Securities (*e.g.* marriage, bequest, gift, etc.).

2. Nothing in this s~~S~~ection 10.2.1 shall be interpreted to preclude a Board Member, officer or employee of the Office of the Interconnection, or spouse or dependent children thereof, from indirectly owning publicly traded Prohibited Securities through a mutual fund or similar arrangement (other than a fund or arrangement specifically targeted towards, or principally comprised of, entities in the electric industry or the electric utility industry, or any segments thereof) under which the Board Member, officer or employee of the Office of the Interconnection, or spouse or dependent children thereof, does not control the purchase or sale of such Prohibited Securities. Any such ownership, including the nature and conditions of the interest, must be disclosed to the Office of the Interconnection's director, regulatory oversight and compliance who will report it to the PJM Board.

3. Ownership of Prohibited Securities as part of a pension plan or fund of a Member, Eligible Customer or Nonincumbent Developer shall be permitted. Any such ownership, including the nature and conditions of the interest, must be disclosed to the Office of the Interconnection's director, regulatory oversight and compliance who will report it to the PJM Board.

4. Ownership of Prohibited Securities by a spouse of a Board Member, officer or employee of the Office of the Interconnection who is employed by a Member, Eligible Customer or Nonincumbent Developer and is required to purchase and maintain ownership of Securities of such Member, Eligible Customer or Nonincumbent Developer as a part of his or her employment shall be permitted. Any such ownership by a spouse, including the nature and conditions of the interest, must be disclosed to the Office of the Interconnection's director, regulatory oversight and compliance who will report it to the PJM Board.

5. A Board Member shall disclose to the PJM Board if the Board Member is aware that he or she, or an immediate family member, has a financial interest in a Member, Eligible Customer or Nonincumbent Developer, or their Affiliates that is subject to a matter before the PJM Board. The chair of the PJM Board Governance Committee and the Office of the

Interconnection legal counsel shall consult with the Board Member to determine whether the PJM Board Member should be recused from the PJM Board deliberations and decision making regarding the matter before the PJM Board.

10.3 Confidential Information.

The Office of the Interconnection shall comply with the requirements of Operating Agreement, sSection 18.17 with respect to any proprietary or confidential information received from or about any Member.

10.4 Duties and Responsibilities.

The Office of the Interconnection, under the direction of the President as supervised and overseen by the PJM Board, shall carry out the following duties and responsibilities, in accordance with the provisions of this Agreement:

i) Administer and implement this Agreement;

ii) Perform such functions in furtherance of this Agreement as the PJM Board, acting within the scope of its duties and responsibilities under this Agreement, may direct;

iii) Prepare, maintain, update and disseminate the PJM Manuals;

iv) Comply with NERC, and Applicable Regional Entity operation and planning standards, principles and guidelines;

v) Maintain an appropriately trained workforce, and such equipment and facilities, including computer hardware and software and backup power supplies, as necessary or appropriate to implement or administer this Agreement;

vi) Direct the operation and coordinate the maintenance of the facilities of the PJM Region used for both load and reactive supply, so as to maintain reliability of service and obtain the benefits of pooling and interchange consistent with this Agreement, and the Reliability Assurance Agreement;

vii) Direct the operation and coordinate the maintenance of the bulk power supply facilities of the PJM Region with such facilities and systems of others not party to this Agreement in accordance with agreements between the LLC and such other systems to secure reliability and continuity of service and other advantages of pooling on a regional basis;

viii) Perform interchange accounting and maintain records pertaining to the operation of the PJM Interchange Energy Market and the PJM Region;

ix) Notify the Members of the receipt of any application to become a Member, and of the action of the Office of the Interconnection on such application, including but not limited to the completion of integration of a new Member's system into the PJM Region, as specified in Operating Agreement, sSection 11.6(f);

x) Calculate the Weighted Interest and Default Allocation Assessment of each Member;

xi) Maintain accurate records of the sectors in which each Voting Member is entitled to vote, and calculate the results of any vote taken in the Members Committee;

xii) Furnish appropriate information and reports as are required to keep the Members regularly informed of the outlook for, the functioning of, and results achieved by the PJM Region;

xiii) File with FERC on behalf of the Members any amendments to this Agreement or the Schedules hereto, any new Schedules hereto, and make any other regulatory filings on behalf of the Members or the LLC necessary to implement this Agreement;

xiv) At the direction of the PJM Board, submit comments to regulatory authorities on matters pertinent to the PJM Region;

xv) Consult with the standing or other committees established pursuant to Operating Agreement, s~~S~~ection 8.6(a) on matters within the responsibility of the committee;

xvi) Perform operating studies of the bulk power supply facilities of the PJM Region and make such recommendations and initiate such actions as may be necessary to maintain reliable operation of the PJM Region;

xvii) Accept, on behalf of the Members, notices served under this Agreement;

xviii) Perform those functions and undertake those responsibilities transferred to it under the Consolidated Transmission Owners Agreement including (A) directing the operation of the transmission facilities of the parties to the Consolidated Transmission Owners Agreement (B) administering the PJM Tariff, and (C) administering the Regional Transmission Expansion Planning Protocol set forth in~~as~~ Operating Agreement, Schedule 6~~ to this Agreement~~;

xix) Perform those functions and undertake those responsibilities transferred to it under the Reliability Assurance Agreement, as specified in Operating Agreement, Schedule 8~~ of this Agreement~~;

xx) Monitor the operation of the PJM Region, ensure that appropriate Emergency plans are in place and appropriate Emergency drills are conducted, declare the existence of an Emergency, and direct the operations of the Members as necessary to manage, alleviate or end an Emergency;

xxi) Incorporate the grid reliability requirements applicable to nuclear generating units in the PJM Region planning and operating principles and practices;

xxii) Initiate such legal or regulatory proceedings as directed by the PJM Board to enforce the obligations of this Agreement; and

xxiii) Select an individual to serve as the Alternate Dispute Resolution Coordinator as specified in the PJM Dispute Resolution Procedures.

11.3 Member Responsibilities.

11.3.1 General.

To facilitate and provide for the work of the Office of the Interconnection and of the several committees appointed by the Members Committee, each Member shall, to the extent applicable;

(a) Maintain complete and accurate records, if any, required to meet the purposes of this section and, subject to the provisions of this Agreement for the protection of the confidentiality of proprietary or commercially sensitive information, provide, as reasonably requested, data (excluding transactional data), documents, or records, to the Office of the Interconnection required for the following purposes: (i) maintenance of correct and updated Member and Affiliate Information, including appropriate personnel contacts, PJM committee representatives, organizational structure and other information as reasonably requested by the Office of the Interconnection to ensure the accuracy and completeness of Member records, (ii) maintenance of correct and updated Member and Affiliate Information on unit ownership, unit offer determination, unit offer submissions and unit operation, (iii) coordination of operations, (iv) accounting for all interchange transactions, (v) preparation of required reports, (vi) coordination of planning, including those data required for capacity accounting under the Reliability Assurance Agreement; (vii) preparation of maintenance schedules, (viii) analysis of system disturbances, and (ix) such other purposes, including those set forth in Operating Agreement, Schedule 2, as will contribute to the reliable and economic operation of the PJM Region and the administration by the Office of the Interconnection of the Agreement, the PJM Tariff and PJM Manuals – For the purposes of this subsection, Member and Affiliate Information means information regarding Members and either: (1) their direct and/or indirect subsidiaries subject to the jurisdiction of the FERC, or (2) their Related Parties;

(b) Provide such recording, telemetering, revenue quality metering, communication and control facilities as are required for the coordination of its operations with the Office of the Interconnection and those of the other Members and to enable the Office of the Interconnection to operate the PJM Region and otherwise implement and administer this Agreement, including equipment required in normal and Emergency operations and for the recording and analysis of system disturbances;

(c) Provide adequate and properly trained personnel to (i) permit participation in the coordinated operation of the PJM Region (ii) meet its obligation on a timely basis for supply of records and data, (iii) serve on committees and participate in their investigations, and (iv) share in the representation of the Interconnection in inter-regional and national reliability activities. Minimum training for Members that operate Market Operations Centers and local control centers shall include compliance with the applicable training standards and requirements in PJM Manual 40, Control Center Requirements, including the PJM System Operator Training Requirements in Attachment C;

(d) Share in the costs of committee activities and investigations (including costs of consultants, computer time and other appropriate items), communication facilities used by all the Members (in addition to those provided in the Office of the Interconnection), and such other

expenses as are approved for payment by the PJM Board, such costs to be recovered as provided in Operating Agreement, Schedule 3;

(e) Comply with the requirements of the PJM Manuals and all directives of the Office of the Interconnection to take any action for the purpose of managing, alleviating or ending an Emergency, and authorize the Office of the Interconnection to direct the transfer or interruption of the delivery of energy on their behalf to meet an Emergency and to implement agreements with other Control Areas interconnected with the PJM Region for the mutual provision of service to meet an Emergency, and be subject to the emergency procedure charges specified in Operating Agreement, Schedule 9 ~~of this Agreement~~ for any failure to follow the Emergency instructions of the Office of the Interconnection. In addressing any Emergency, the Office of the Interconnection shall comply with the terms of any reserve sharing agreements in effect for any part of the PJM Region.

11.3.2 Facilities Planning and Operation.

Consistent with and subject to the requirements of this Agreement, the PJM Tariff, the governing agreements of each Applicable Regional Entity, the Reliability Assurance Agreement, the Consolidated Transmission Owners Agreement, and the PJM Manuals, each Member shall cooperate with the other Members in the coordinated planning and operation of the facilities of its System within the PJM Region so as to obtain the greatest practicable degree of reliability, compatible economy and other advantages from such coordinated planning and operation. In furtherance of such cooperation each Member shall, as applicable:

(a) Consult with the other Members and the Office of the Interconnection, and coordinate the installation of its electric generation and Transmission Facilities with those of such other Members so as to maintain reliable service in the PJM Region;

(b) Coordinate with the other Members, the Office of the Interconnection and with others in the planning and operation of the regional facilities to secure a high level of reliability and continuity of service and other advantages;

(c) Cooperate with the other Members and the Office of the Interconnection in the implementation of all policies and procedures established pursuant to this Agreement for dealing with Emergencies, including but not limited to policies and procedures for maintaining or arranging for a portion of a Member's Generation Capacity Resources, at least equal to the applicable levels established from time to time by the Office of the Interconnection, to have the ability to go from a shutdown condition to an operating condition and start delivering power without assistance from the power system;

(d) Cooperate with the members of each Applicable Regional Entity to augment the reliability of the bulk power supply facilities of the region and comply with Applicable Regional Entities and NERC operating and planning standards, principles and guidelines and the PJM Manuals implementing such standards, principles and guidelines;

(e) Obtain or arrange for transmission service as appropriate to carry out this Agreement;

(f) Cooperate with the Office of the Interconnection's coordination of the operating and maintenance schedules of the Member's generating and Transmission Facilities with the facilities of other Members to maintain reliable service to its own customers and those of the other Members and to obtain economic efficiencies consistent therewith;

(g) Cooperate with the other Members and the Office of the Interconnection in the analysis, formulation and implementation of plans to prevent or eliminate conditions that impair the reliability of the PJM Region; and

(h) Adopt and apply standards adopted pursuant to this Agreement and conforming to NERC, and Applicable Regional Entity standards, principles and guidelines and the PJM Manuals, for system design, equipment ratings, operating practices and maintenance practices.

11.3.3 Electric Distributors.

In addition to any of the foregoing responsibilities that may be applicable, each Member that is an Electric Distributor, whether or not that Member votes in the Members Committee in the Electric Distributor sector or meets the eligibility requirements for any other sector of the Members Committee, shall:

(a) Accept, comply with or be compatible with all standards applicable within the PJM Region with respect to system design, equipment ratings, operating practices and maintenance practices as set forth in the PJM Manuals, or be subject to an interconnected Member's requirements relating to the foregoing, so that sufficient electrical equipment, control capability, information and communication are available to the Office of the Interconnection for planning and operation of the PJM Region;

(b) Assure the continued compatibility of its local system energy management system monitoring and telecommunications systems to satisfy the technical requirements of interacting automatically or manually with the Office of the Interconnection as it directs the operation of the PJM Region;

(c) Maintain or arrange for a portion of its connected load to be subject to control by automatic underfrequency, under-voltage, or other load-shedding devices at least equal to the levels established pursuant to the Reliability Assurance Agreement, or be subject to another Member's control for these purposes;

(d) Provide or arrange for sufficient reactive capability and voltage control facilities to conform to Good Utility Practice and (i) to meet the reactive requirements of its system and customers and (ii) to maintain adequate voltage levels and the stability required by the bulk power supply facilities of the PJM Region;

(e) Shed connected load, share Generation Capacity Resources and take such other coordination actions as may be necessary in accordance with the directions of the Office of the Interconnection in Emergencies;

(f) Maintain or arrange for a portion of its Generation Capacity Resources at least equal to the level established pursuant to the Reliability Assurance Agreement to have the ability to go from a shutdown condition to an operating condition and start delivering power without assistance from the power system;

(g) Provide or arrange through another Member for the services of a 24-hour local control center to coordinate with the Office of the Interconnection, each such control center to be furnished with appropriate telemetry equipment as specified in the PJM Manuals, and to be staffed by system operators trained and delegated sufficient authority to take any action necessary to assure that the system for which the operator is responsible is operated in a stable and reliable manner. In addition to meeting any training standards and requirements specified in this Agreement, local control center staff shall be required to meet applicable training standards and requirements in PJM Manual 40, Control Center Requirements, including the PJM System Operator Training Requirements in Attachment C;

(h) Provide to the Office of the Interconnection all System, accounting, customer tracking, load forecasting (including all load to be served from its System) and other data necessary or appropriate to implement or administer this Agreement, and the Reliability Assurance Agreement; and

(i) Comply with the underfrequency relay obligations and charges specified in Operating Agreement, Schedule 7 ~~of this Agreement~~.

11.3.4 Reports to the Office of the Interconnection.

Each Member shall report as promptly as possible to the Office of the Interconnection any changes in its operating practices and procedures relating to the reliability of the bulk power supply facilities of the PJM Region. The Office of the Interconnection shall review such reports, and if any change in an operating practice or procedure of the Member is not in accord with the established operating principles, practices and procedures for the PJM Region and such change adversely affects such region and regional reliability, it shall so inform such Member, and the other Members through their representative on the Operating Committee, and shall direct that such change be modified to conform to the established operating principles, practices and procedures.

11.4 Regional Transmission Expansion Planning Protocol.

The Members shall participate in regional transmission expansion planning in accordance with the Regional Transmission Expansion Planning Protocol set forth in Operating Agreement, Schedule 6 ~~to this Agreement~~.

11.5 Member Right to Petition.

(a) Nothing herein shall deprive any Member of the right to petition FERC to modify any provision of this Agreement or any Schedule or practice hereunder that the petitioning Member believes to be unjust, unreasonable, or unduly discriminatory under section 206 of the Federal Power Act, subject to the right of any other Member (a) to oppose said proposal, or (b) to withdraw from the LLC pursuant to Operating Agreement, s~~S~~ection 4.1.

(b) Nothing herein shall be construed as affecting in any way the right of the Members, acting pursuant to a vote of the Members Committee as specified in Operating Agreement, s~~S~~ection 8.4, unilaterally to make an application to FERC for a change in any rate, charge, classification, tariff or service, or any rule or regulation related thereto, under section 205 of the Federal Power Act and pursuant to the rules and regulations promulgated by FERC thereunder, subject to the right of any Member that voted against such change in any rate, charge, classification, tariff or service, or any rule or regulation related thereto, in intervene in opposition to any such application.

11.6 Membership Requirements.

(a) To qualify as a Member, an entity shall:

i) Be a Transmission Owner a Generation Owner, an Other Supplier, an Electric Distributor, or an End-Use Customer; and

ii) Accept the obligations set forth in this Agreement.

(b) Certain Members that are Load Serving Entities are parties to the Reliability Assurance Agreement. Upon becoming a Member, any entity that is a Load Serving Entity in the PJM Region and that wishes to become a Market Buyer shall also simultaneously execute the Reliability Assurance Agreement.

(c) An entity that wishes to become a party to this Agreement shall apply, in writing, to the President setting forth its request, its qualifications for membership, its agreement to supply data as specified in this Agreement, its agreement to pay all costs and expenses in accordance with Operating Agreement, Schedule 3, and providing all information specified pursuant to the Schedules to this Agreement for entities that wish to become Market Participants. Any such application that meets all applicable requirements shall be approved by the President within sixty (60) days.

(d) Nothing in ~~this~~ Operating Agreement, s~~S~~ection 11 is intended to remove, in any respect, the choice of participation by other utility companies or organizations in the operation of the PJM Region through inclusion in the System of a Member.

(e) An entity whose application is accepted by the President pursuant to s~~S~~ection 11.6(c) above shall execute a supplement to this Agreement in substantially the form prescribed in Operating Agreement, Schedule 4, which supplement shall be countersigned by the President. The entity shall become a Member effective on the date the supplement is countersigned by the President.

(f) Entities whose applications contemplate expansion or rearrangement of the PJM Region may become Members promptly as described in s~~S~~ections 11.6(c) and 11.6(e) above, but the integration of the applicant's system into all of the operation and accounting provisions of this Agreement and the Reliability Assurance Agreement, shall occur only after completion of all required installations and modifications of metering, communications, computer programming, and other necessary and appropriate facilities and procedures, as determined by the Office of the Interconnection. The Office of the Interconnection shall notify the other Members when such integration has occurred.

(g) Entities that become Members will be listed in Operating Agreement, Schedule 12 ~~of this Agreement~~.

(h) In accordance with this Agreement, Members agree that PJMSettlement shall be the Counterparty with respect to certain transactions under the PJM Tariff and this Agreement.

14B.4 Additional Billing and Payment Provisions With Respect to the Counterparty

(a) Each Member shall receive from PJMSettlement (and not from any other party), and shall pay to PJMSettlement (and not to any other party), the amounts specified in the PJM Tariff and this Agreement for services and transactions for which PJMSettlement is the Counterparty, and PJMSettlement shall be correspondingly obliged and entitled.

(b) **Payment netting.** If, during the settlement period, amounts in respect of obligations associated with transactions for which PJMSettlement are owed, and would otherwise be paid, by both a Member and PJMSettlement to each other, then the respective obligations to pay such amounts will automatically be cancelled and replaced by a single obligation upon the Member or PJMSettlement (as the case may be) that would have had to pay the larger aggregate amount to pay the net amount (if any) to the other.

(c) **Conditions for payment by the Counterparty.**

(i) A Member shall be entitled to payment from PJMSettlement during the settlement period if, and only if, during the settlement period there is no amount in default due and payable by that Member to PJMSettlement with respect to transactions for which PJMSettlement is a Counterparty and not paid or recovered and so long as an amount in default, or any part of it, remains owing to PJMSettlement, that Member will not request, demand or claim to be entitled to payment by PJMSettlement.

(ii) Subject to Operating Agreement, section 15, a defaulting Member shall be entitled to payment from PJMSettlement with respect to transactions for which PJMSettlement is the Counterparty, if, and only if, all amounts, liabilities and other obligations due, owing, incurred or payable by that defaulting Member to PJMSettlement or the LLC, whether those liabilities or obligations are actual or contingent, present or future, joint or several (including, without limitation, all interest (after as well as before judgment) and expenses) have been paid or recovered and until that time the defaulting Member will not request, demand or claim to be entitled to payment by PJMSettlement or the LLC.

(d) **Set-off.**

(i) If during the settlement period an amount is due and, but for Operating Agreement, section 14B.4(c), would have been payable from PJMSettlement to a Member, but before that settlement period there was due from that Member an amount in default (as defined in Operating Agreement, section 15) that has not been paid or recovered, then notwithstanding Operating Agreement, section 14B.4(c), the amount owing by PJMSettlement shall be automatically and unconditionally set off against the amount(s) in default.

(ii) If in respect of any non-paying Member there is more than one amount in default, then any amount due and payable from PJMSettlement shall be set off against the amounts in default in the order in which they originally became due and payable.

(e) **Liability of PJMSettlement.**

(i) The liability of PJMSettlement to make payments during the settlement period shall be limited so that the aggregate of such payments does not exceed the aggregate amount of payments that has been paid to or recovered by PJMSettlement, from Members (including by way of realization of financial security) in respect of that settlement period.

(ii) Where in relation to any settlement period, the aggregate amount that PJMSettlement pays to Members with respect to transactions for which PJMSettlement is the Counterparty is less than the amount to which those Members, but for the operation of section 14B(e)(i), would have been entitled: if and to the extent that, after the required time during the settlement period, PJMSettlement or the LLC is paid and recovers (including collection of such amount through Default Allocation Assessments) amounts from any Member, PJMSettlement shall to the extent of such receipts make payments (to certain Members) in accordance with the provisions of Operating Agreement, section 15.2.1.

15.1 Failure to Meet Obligations.

15.1.1 Termination of Market Buyer Rights.

The Office of the Interconnection shall terminate a Market Buyer's right to make purchases from the PJM Interchange Energy Market, the PJM Capacity Credit Market or any other market operated by PJM if it determines that the Market Buyer does not continue to meet the obligations set forth in this Agreement, including but not limited to the obligation to be in compliance with PJM's creditworthiness requirements and the obligation to make timely payment, provided that the Office of the Interconnection has notified the Market Buyer of any such deficiency and afforded the Market Buyer a reasonable opportunity to cure pursuant to s~~S~~ection 15.1.3 below. The Office of the Interconnection shall reinstate a Market Buyer's right to make purchases from the PJM Interchange Energy Market and PJM Capacity Credit Market upon demonstration by the Market Buyer that it has come into compliance with the obligations set forth in this Agreement.

15.1.2 Termination of Market Seller Rights.

The Office of the Interconnection shall not accept offers from a Market Seller that has not complied with the prices, terms, or operating characteristics of any of its prior scheduled transactions in the PJM Interchange Energy Market, unless such Market Seller has taken appropriate measures to the satisfaction of the Office of the Interconnection to ensure future compliance.

15.1.3 Payment of Bills.

A Member shall make full and timely payment, in accordance with the terms specified by the Office of the Interconnection, of all bills rendered in connection with or arising under or from this Agreement, any service or rate schedule, any tariff, or any services performed by the Office of the Interconnection or transactions with PJMSettlement, notwithstanding any disputed amount, but any such payment shall not be deemed a waiver of any right with respect to such dispute. Any Member that fails to make full and timely payment to PJMSettlement (of amounts owed either directly to PJMSettlement or PJMSettlement as agent for the LLC) or otherwise fails to meet its financial or other obligations to a Member, PJMSettlement, or the LLC under this Agreement, shall, in addition to any requirement set forth in this s~~S~~ection 15.1 and upon expiration of the 2-day period specified below be in default.

15.1.4 Breach Notification and Remedy

If the Office of the Interconnection concludes, upon its own initiative or the recommendation of or complaint by the Members Committee or any Member, that a Member is in breach of any obligation under this Agreement, including, but not limited to, the obligation to make timely payment and the obligation to meet PJM's creditworthiness standards and to otherwise comply with PJM's credit policies, the Office of the Interconnection shall so notify such Member. The notified Member may remedy such asserted breach by: (i) paying all amounts assertedly due, along with interest on such amounts calculated in accordance with the methodology specified for interest on refunds in FERC's regulations at 18 C.F.R. § 35.19a(a)(2)(iii); and (ii) demonstration to

the satisfaction of the Office of the Interconnection that the Member has taken appropriate measures to meet any other obligation of which it was deemed to be in breach; provided, however, that any such payment or demonstration may be subject to a reservation of rights, if any, to subject such matter to the PJM Dispute Resolution Procedures; and provided, further, that any such determination by the Office of the Interconnection may be subject to review by the PJM Board upon request of the Member involved or the Office of the Interconnection.

15.1.5 Default Notification and Remedy

If a Member has not remedied a breach by the 2nd Business Day following receipt of the Office of the Interconnection's notice, or receipt of the PJM Board's decision on review, if applicable, then the Member shall be in default and, in addition to such other remedies as may be available to the LLC or PJMSettlement:

i) A defaulting Market Participant shall be precluded from buying or selling in the PJM Interchange Energy Market, the PJM Capacity Credit Market, or any other market operated by PJM until the default is remedied as set forth above;

ii) A defaulting Member shall not be entitled to participate in the activities of any committee or other body established by the Members Committee or the Office of the Interconnection; and

iii) A defaulting Member shall not be entitled to vote on the Members Committee or any other committee or other body established pursuant to this Agreement.

iv) PJM shall notify all other members of the default.

15.1.6 Reinstatement of Member Following Default and Remedy

a. A Member that has been declared in default, solely of PJM's creditworthiness standards, or fails to otherwise comply with PJM's credit policies once within any 12 month period may be reinstated in full after remedying such default.

b. A Member that has been declared in default of this Agreement for failing to: (i) make timely payments when due once during any prior 12 month period, or (ii) adhere to PJM's creditworthiness standards and credit policies, twice during any prior 12 month period, may be subject to the following restrictions:

a) Loss of stakeholder privileges, including voting privileges, for 12 months following such default; and

b) Loss of the allowance of unsecured credit for 12 months following such default

c. A Member that has been declared in default of this Agreement for failing to: (i) make timely payments when due twice during any prior 12 month period, or (ii) adhere to PJM's creditworthiness standards and credit policies, three times during any prior 12 month period, shall,

except as provided for below, not be eligible to be reinstated as a Member to this Agreement and its membership rights pursuant to this Agreement shall be terminated in accordance with Operating Agreement, s~~S~~ection 4.1(c) ~~of this Agreement~~, notwithstanding whether such default has been remedied. Furthermore:

a) PJMSettlement shall close out and liquidate all of the Member's current and forward positions in accordance with the provisions of this Agreement; and

b) A Member terminated in accordance with these provisions shall be precluded from seeking future membership under this Agreement;

d. A Member may appeal a determination made pursuant to the foregoing procedures utilizing PJM's dispute resolution procedure as set forth in Operating Agreement, Schedule 5 ~~of this Agreement~~, (provided, however, that a Member's decision to utilize these procedures shall not operate to stay the ability of PJM to exercise any and all of its rights under this Agreement and the PJM Tariff) ~~–~~and may be reinstated provided that the Member can demonstrate the following:

a) that it has otherwise consistently complied with its obligations under this Agreement and the PJM Tariff; and

b) the failure to comply was not material; and

c) the failure to comply was due in large part to conditions that were not in the common course of business.

15.2 Enforcement of Obligations.

If the Office of the Interconnection sends a notice to the PJM Board that a Member has failed to perform an obligation under this Agreement, the PJM Board, on behalf of the LLC and PJMSettlement, shall initiate such action against such Member to enforce such obligation as the PJM Board shall deem appropriate. Subject to the procedures specified in Section 15.1, a Member's failure to perform such obligation shall be deemed to be a default under this Agreement. In order to remedy a default, but without limiting any rights the LLC or PJMSettlement may have against the defaulting Member, the PJM Board may assess against, and collect from, the Members not in default, in proportion to their Default Allocation Assessment, an amount equal to the amount that the defaulting Member has failed to pay to PJMSettlement or the LLC (less amounts covered by Financial Security, held by PJMSettlement, on behalf of itself and as agent for the LLC, or indemnifications paid to the LLC or PJMSettlement), along with appropriate interest. Such assessment shall in no way relieve the defaulting Member of its obligations. In addition to any amounts in default, the defaulting Member shall be liable to the LLC and PJMSettlement for all reasonable costs incurred in enforcing the defaulting Member's obligations.

15.2.1 Collection by the Office of the Interconnection.

PJMSettlement is authorized to pursue collection through such actions, legal or otherwise, as it reasonably deems appropriate, including but not limited to the prosecution of legal actions and assertion of claims on behalf of the affected Members in the state and federal courts as well as under the United States Bankruptcy Code. Prior to initiating formal legal action in state or federal court to pursue collection, PJMSettlement shall provide to the Members Committee an explanation of its intended action. Upon the duly seconded motion of any Member, the Members Committee may conduct a vote to afford PJMSettlement a sense of the membership as regards to PJMSettlement's intended action to pursue collection. PJMSettlement shall consider any such vote before initiating formal legal action and at all times during the course of any collection effort evaluate the expected benefits in pursuing such effort in light of any changed circumstances. After deducting the costs of collection, any amounts recovered by PJMSettlement shall be distributed to the Members who have paid their Default Allocation Assessment in proportion to the Default Allocation Assessment paid by each Member.

15.2.2 Default Allocation Assessment.

(a) "Default Allocation Assessment" shall be equal to (0.1(1/N) + 0.9(A/Z)), where:

N = the total number of Members, calculated as of five o'clock p.m. eastern prevailing time on the date PJM declares a Member in default, excluding ex officio Members, State Consumer Advocates, Emergency and Economic Load Response Program Special Members, and municipal electric system Members that have been granted a waiver under Operating Agreement, section 17.2 ~~of this Agreement~~.

A = for Members comprising factor "N" above, the Member's gross activity as determined by summing the absolute values of the charges and credits for each of the Activity

Line Items identified in section 15.2.2(b) below ~~of this Agreement~~ as accounted for and billed pursuant to Operating Agreement, Schedule 1, section 3 ~~of Schedule 1 of this Agreement~~ for the month of default and the two previous months.

Z = the sum of factor A for all Members excluding ex officio Members, State Consumer Advocates, Emergency and Economic Load Response Program Special Members, and municipal electric system Members that have been granted a waiver under Operating Agreement, section 17.2 ~~of this Agreement~~.

The assessment value of (0.1(1/N)) shall not exceed $10,000 per Member per calendar year, cumulative of all defaults, or more than once per Member default if Default Allocation Assessment charges for a single Member default span multiple calendar years. For this purpose, a default by an individual Member that spans multiple billing periods without cure shall be considered a single default. If one or more defaults arise that cause the value to exceed $10,000 per Member, then the excess shall be reallocated through the gross activity factor.

(b) Activity Line Items shall be each of the line items on the PJM monthly bills net of load reconciliation adjustments and adjustments applicable to activity for the current billing month appearing on the same bill.

16.2 LLC Indemnified Parties.

(a) The LLC will indemnify and hold harmless the PJM Board, the LLC's officers, employees and agents, and any representatives of the Members serving on the Members Committee and any other committee created under Operating Agreement, s~~S~~ection 8 ~~of this Agreement~~ (all such Board Members, officers, employees, agents and representatives for purposes of ~~this s~~Operating Agreement, ~~S~~section 16 being referred to as "LLC Indemnified Parties"), of and from any and all actions, claims, demands, costs (including consequential or indirect damages, economic losses and all court costs and reasonable attorneys' fees) and liabilities to any third parties, arising from, or in any way connected with, the performance of the LLC under this Agreement, or the fact that such LLC Indemnified Party was serving in such capacity, except to the extent that such action, claim, demand, cost or liability results from the willful misconduct of any LLC Indemnified Party with respect to participation in the misconduct. To the extent any dispute arises between any Member and the LLC arising from, or in any way connected with, the performance of the LLC under this Agreement, the Member and the LLC shall follow the PJM Dispute Resolution Procedures. To the extent that any such action, claim, demand, cost or liability arises from a Member's contractual or other obligation to provide electric service directly or indirectly to said third party, which obligation to provide service is limited by the terms of any tariff, service agreement, franchise, statute, regulatory requirement, court decision or other limiting provision, the Member designates the LLC and each LLC Indemnified Party a beneficiary of said limitation.

(b) An LLC Indemnified Party shall not be personally liable for monetary damages for any breach of fiduciary duty by such LLC Indemnified Party, except that an LLC Indemnified Party shall be liable to the extent provided by applicable law (i) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, or (ii) for any transaction from which the LLC Indemnified Party derived an improper personal benefit. Notwithstanding (i) and (ii), indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the LLC if and to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses that such court shall deem proper. If applicable law is hereafter construed or amended to authorize the further elimination or limitation of the liability of LLC Indemnified Parties, then the liability of the LLC Indemnified Parties, in addition to the limitation on personal liability provided herein, shall be limited to the fullest extent permitted by law. No amendment to or repeal of this section shall apply to or have any effect on the liability or alleged liability of any LLC Indemnified Party or with respect to any acts or omissions occurring prior to such amendment or repeal. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the LLC, and with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

(c) The LLC may pay expenses incurred by an LLC Indemnified Party in defending a civil, criminal, administrative or investigative action, suit or proceeding in advance of the final

disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such LLC Indemnified Party to repay such amount if it shall ultimately be determined that such LLC Indemnified Party is not entitled to be indemnified by the LLC as authorized in this Section.

(d) In the event the LLC incurs liability under this s~~S~~ection 16.2 that is not adequately covered by insurance, such amounts shall be recovered pursuant to the PJM Tariff as provided in Operating Agreement, Schedule 3 ~~of this Agreement~~.

16.6 Gross Negligence or Willful Misconduct.

Neither PJMSettlement, the LLC, nor the LLC Indemnified Parties shall be liable to the Members or any of them, or to any third party or other person, for any claims, demands or costs arising from, or in any way connected with, the performance of PJMSettlement or the LLC under this Agreement other than actions, claims or demands based on gross negligence or willful misconduct; provided, however, that nothing herein shall limit or reduce the obligations of PJMSettlement or the LLC to the Members or any of them under the express terms of this Agreement or the PJM Tariff, including, but not limited to, those set forth in Operating Agreement, s~~S~~ection~~s~~ 6.2 and Operating Agreement, section 6.3 ~~of this Agreement~~.

17.2 Municipal Electric Systems.

Any provisions of Operating Agreement, s~~S~~ection 17.1 notwithstanding, if any Member that is a municipal electric system believes in good faith that the provisions of Operating Agreement, s~~S~~ection~~s~~ 5.1(b) and Operating Agreement, section 16.1 ~~of this Agreement~~ may not lawfully be applied to that Member under applicable state law governing municipal activities, the Member may request a waiver of the pertinent provisions of the Agreement. Any such request for waiver shall be supported by an opinion of counsel for the Member to the effect that the provision of the Agreement as to which waiver is sought may not lawfully be applied to the Member under applicable state law. The PJM Board shall have the right to have the opinion of the Member's counsel reviewed by counsel to the LLC. If the PJM Board concludes that either or both of Operating Agreement, s~~S~~ection~~s~~ 5.1(b) and Operating Agreement, section 16.1 ~~of this Agreement~~ may not lawfully be applied to a municipal electric system Member, it shall waive the application of the affected provision or provisions to such municipal Member. Any Member not permitted by law to indemnify the other Members shall not be indemnified by the other Members.

18.6 Amendment.

(a) Except as provided by law or otherwise set forth herein, this Agreement, including any Schedule hereto, may be amended, or a new Schedule may be created, only upon: (i) submission of the proposed amendment to the PJM Board for its review and comments; (ii) approval of the amendment or new Schedule by the Members Committee, after consideration of the comments of the PJM Board, in accordance with Operating Agreement, s~~S~~ection 8.4, or written agreement to an amendment of all Members not in default at the time the amendment is agreed upon; and (iii) approval and/or acceptance for filing of the amendment by FERC and any other regulatory body with jurisdiction thereof as may be required by law. If and as necessary, the Members Committee may file with FERC or other regulatory body of competent jurisdiction any amendment to this Agreement or to its Schedules or a new Schedule not filed by the Office of the Interconnection.

(b) Notwithstanding the foregoing, an applicant eligible to become a Member in accordance with the procedures specified in this Agreement shall become a Member by executing a counterpart of this Agreement without the need for amendment of this Agreement or execution of such counterpart by any other Member.

(c) Each of the following fundamental changes to the LLC shall require or be deemed to require an amendment to this Agreement and shall require the prior approval of FERC:

i) Adoption of any plan of merger or consolidation;

ii) Adoption of any plan of sale, lease or exchange of assets relating to all, or substantially all, of the property and assets of the LLC;

iii) Adoption of any plan of division relating to the division of the LLC into two or more corporations or other legal entities;

iv) Adoption of any plan relating to the conversion of the LLC into a stock corporation;

v) Adoption of any proposal of voluntary dissolution; or

vi) Taking any action which has the purpose or effect of the adoption of any plan or proposal described in items (i), (ii), (iii), (iv) or (v) above.

18.9 Catastrophic Force Majeure.

Performance of any obligation arising under this Agreement, owed by a Member to either PJM or to another Member (either directly or indirectly), shall not be excused or suspended by reason of an event of force majeure unless such event constitutes an event of Catastrophic Force Majeure. An event of Catastrophic Force Majeure shall excuse a Member from performing obligations arising under this Agreement during the period such Member's performance is prevented by any event of Catastrophic Force Majeure, provided such event was not caused by such Member's fault or negligence. An event of Catastrophic Force Majeure may suspend but shall not excuse any payment obligation owed by a Member. Any excuse or exception to a performance obligation expressly provided for by specific terms of this Agreement, the PJM Tariff, or the Reliability Assurance Agreement shall apply according to their terms and remain in full force and effect without regard to this provision. Unless expressly referenced in any section of this Agreement, the PJM Tariff, or the Reliability Assurance Agreement, this provision shall not apply, and not supersede, other force majeure provisions that are expressly applicable to specific obligations arising under any sections of those documents. This provision shall apply in its entirety to all rules, rights and obligations specified in Tariff, Attachment K-Appendix ~~of the PJM Tariff~~, Tariff, Attachment DD ~~of the PJM Tariff~~, Operating Agreement, Schedule 1 ~~of the Operating Agreement~~, and the Reliability Assurance Agreement. Other than this provision, no other force majeure provisions in this Agreement, the PJM Tariff, or the Reliability Assurance Agreement shall apply in any manner to Tariff, Attachment K-Appendix ~~of the PJM Tariff~~, Tariff, Attachment DD ~~of the PJM Tariff~~, Operating Agreement, Schedule 1 ~~of the Operating Agreement~~, and the Reliability Assurance Agreement.

18.18 Termination and Withdrawal.

18.18.1 Termination.

Upon termination of this Agreement, final settlement for obligations under this Agreement shall include the accounting for the period ending with the last day of the last month for which the Agreement was effective.

18.18.2 Withdrawal.

Subject to the requirements of Operating Agreement, sSection 4.1(c) ~~of this Agreement~~ and Operating Agreement, Schedule 1, sSection 1.4.6 ~~of the Schedule 1 to this Agreement~~, any Member may withdraw from this Agreement upon 90 days notice to the Office of the Interconnection.

18.18.3 Winding Up.

Any provision of this Agreement that expressly or by implication comes into or remains in force following the termination or expiration of this Agreement shall survive such ~~-~~termination or expiration. The surviving provisions shall include, but shall not be limited to: (i) those provisions necessary to permit the orderly conclusion, or continuation pursuant to another agreement, of transactions entered into prior to the decision to terminate this Agreement, (ii) those provisions necessary to conduct final billing, collection, and accounting with respect to all matters arising hereunder, and (iii) the indemnification provisions as applicable to periods prior to such termination or expiration.

IN WITNESS whereof, the Members have caused this Agreement to be executed by their duly authorized representatives.

SCHEDULE 3 -
ALLOCATION OF THE COST AND EXPENSES
OF THE OFFICE OF THE INTERCONNECTION

(a) Each group of Affiliates, each group of Related Parties, and each Member that is not in such a group shall pay an annual membership fee, the proceeds of which shall be used to defray the costs and expenses of the LLC, including the Office of the Interconnection. The amount of the annual fee as of the Effective Date shall be $5,000. The annual membership fee shall be charged on a calendar year basis. In the year that a new membership commences, the annual membership fee may be reduced, at the election of the entity joining, by 1/12th for each full month that has passed prior to membership commencing. If the entity seeking to join elects to pay a prorated annual membership fee as provided here, it shall not be permitted to vote at meetings until the first day following the date that its entry as a new Member is announced at a Members Committee meeting, provided that if an entity's membership is terminated and it seeks to rejoin within twelve months, it will be subject to the full $5,000 annual membership fee. Annual membership fees shall not be refunded, in whole or in part, upon termination of membership. Each group of Affiliates, each group of Related Parties, and each Member that does not timely pay its annual membership fee by January 1 shall be deemed to have given notice of its intent to withdrawal from PJM Membership in accordance with Operating Agreement, sSection 18.18.2 ~~of this Agreement~~. PJM shall provide the affected group of Affiliates, group of Related Parties and/or Member with notification (electronic or otherwise) of its intent to apply this provision and the affected group of Affiliates, group of Related Parties and/or Member shall have 90 days therefrom to make payment of its annual membership fee before its withdrawal from PJM Membership becomes effective.

(b) Each group of State Offices of Consumer Advocates from the same state or the District of Columbia and each State Consumer Advocate that nominates its representative to vote on the Members Committee but is not in such a group shall pay an annual fee, the proceeds of which shall be used to defray the costs and expenses of the LLC, including the Office of the Interconnection. The amount of the annual fee shall be $500. The annual membership fee shall be charged on a calendar year basis and shall not be subject to proration for memberships commencing during a calendar year.

(c) The amount of the annual fees provided for herein shall be adjusted from time to time by the PJM Board to keep pace with inflation.

(d) All remaining costs of the operation of the LLC and the Office of the Interconnection and the expenses, including, without limitation, the costs of any insurance and any claims not covered by insurance, associated therewith as provided in this Agreement shall be costs of PJM Interconnection, L.L.C. Administrative Services and shall be recovered as set forth in Tariff, Schedule 9 ~~to the PJM Tariff~~. Such costs may include costs associated with debt service, including the costs of funding reserve accounts or meeting coverage or similar requirements that financing covenants may necessitate.

(e) An entity accepted for membership in the LLC shall pay all costs and expenses associated with additions and modifications to its own metering, communication, computer, and

other appropriate facilities and procedures needed to effect the inclusion of the entity in the operation of the Interconnection, and for additional services requested by Members from the LLC, PJMSettlement or the Office of the Interconnection that are not required for the operation of the LLC or the Office of the Interconnection.

2.2 Interpretation.

To the extent permitted by applicable law, the PJM Dispute Resolution Procedures are to be interpreted to effectuate the objectives set forth in Operating Agreement, s~~S~~ection 2.1. To the extent permitted by these PJM Dispute Resolution Procedures, the Alternate Dispute Resolution Coordinator shall coordinate with the established dispute resolution committee of an Applicable Regional Entity, where appropriate, in order to conserve administrative resources and to avoid duplication of dispute resolution staffing.

4.2 Binding Decision.

Except as specified in Operating Agreement, Schedule 5, s~~S~~ection 4.1, the resolution by arbitration of any dispute under this Agreement shall not be binding.

1.3 Establishment of Committees.

(a) The Planning Committee shall be open to participation by (i) all Transmission Customers and applicants for transmission service; (ii) any other entity proposing to provide Transmission Facilities to be integrated into the PJM Region; (iii) all Members; (iv) the electric utility regulatory agencies within the States in the PJM Region and the State Consumer Advocates; and (v) any other interested entities or persons and shall provide technical advice and assistance to the Office of the Interconnection in all aspects of its regional planning functions. The Transmission Owners shall supply representatives to the Planning Committee, and other Members may provide representatives as they deem appropriate, to provide the data, information, and support necessary for the Office of the Interconnection to perform studies as required and to develop the Regional Transmission Expansion Plan.

(b) The Transmission Expansion Advisory Committee established by the Office of the Interconnection will meet periodically with representatives of the Office of the Interconnection to provide advice and recommendations to the Office of the Interconnection to aid in the development of the Regional Transmission Expansion Plan. The Transmission Expansion Advisory Committee participants shall be given an opportunity to provide advice and recommendations for consideration by the Office of the Interconnection regarding sensitivity studies, modeling assumption variations, scenario analyses, and Public Policy Objectives in the studies and analyses to be conducted by the Office of the Interconnection. The Transmission Expansion Advisory Committee participants shall be given the opportunity to review and provide advice and recommendations on the projects to be included in the Regional Transmission Expansion Plan. The Transmission Expansion Advisory Committee meetings shall include discussions addressing interregional planning issues, as required. The Transmission Expansion Advisory Committee shall be open to participation by: (i) all Transmission Customers and applicants for transmission service; (ii) any other entity proposing to provide Transmission Facilities to be integrated into the PJM Region; (iii) all Members; (iv) the electric utility regulatory agencies within the States in the PJM Region, the Independent State Agencies Committee, and the State Consumer Advocates; and (v) any other interested entities or persons. The Transmission Expansion Advisory Committee shall be governed by the Transmission Expansion Advisory Committee rules and procedures set forth in the PJM Regional Planning Process Manual (PJM Manual M-14 series) and by the rules and procedures applicable to PJM committees.

(c) The Subregional RTEP Committees established by the Office of the Interconnection shall facilitate the development and review of the Local Plans. The Subregional RTEP Committees will be responsible for the initial review of the Subregional RTEP Projects, and to provide recommendations to the Transmission Expansion Advisory Committee concerning the Subregional RTEP Projects. A Subregional RTEP Committee may of its own accord or at the request of a Subregional RTEP Committee participant, also refer specific Subregional RTEP Projects to the Transmission Expansion Advisory Committee for further review, advice and recommendations.

(d) The Subregional RTEP Committees shall be responsible for the timely review of the criteria, assumptions and models used to identify reliability criteria violations, economic constraints, or to consider Public Policy Requirements, proposed solutions and written comments prior to finalizing the Local Plan, the coordination and integration of the Local Plans into the RTEP, and addressing any stakeholder issues unresolved in the Local Plan process. The Subregional RTEP Committees will be provided sufficient opportunity to review and provide written comments on the criteria, assumptions, and models used in local planning activities prior to finalizing the Local Plan. The Subregional RTEP Committees shall also be responsible for the timely review of the Transmission Owners' criteria, assumptions, and models used to identify Supplemental Projects that will be considered for inclusion in the Local Plan for each Subregional RTEP Committee. The Subregional RTEP Committees meetings shall include discussions addressing interregional planning issues, as required. Once finalized, the Subregional RTEP Committees will be provided sufficient opportunity to review and provide written comments on the Local Plans as integrated into the RTEP, prior to the submittal of the final Regional Transmission Expansion Plan to the PJM Board for approval. In addition, the Subregional RTEP Committees will provide sufficient opportunity to review and provide written comments to the Transmission Owners on any Supplemental Projects included in the Local Plan, in accordance with Additional Procedures for Planning of Supplemental Projects set forth in Tariff, Attachment M-3 ~~of the PJM Tariff~~.

(e) The Subregional RTEP Committees shall be open to participation by: (i) all Transmission Customers and applicants for transmission service; (ii) any other entity proposing to provide Transmission Facilities to be integrated into the PJM Region; (iii) all Members; (iv) the electric utility regulatory agencies within the States in the PJM Region, the Independent State Agencies Committee, and the State Consumer Advocates and (v) any other interested entities or persons.

(f) Each Subregional RTEP Committee shall schedule and facilitate a minimum of one Subregional RTEP Committee meeting to review the criteria, assumptions and models to identify reliability criteria violations, economic constraints, or to consider Public Policy Requirements. Each Subregional RTEP Committee shall schedule and facilitate an additional Subregional RTEP Committee meeting, per planning cycle, and as required to review the identified criteria violations and potential solutions. The Subregional RTEP Committees may facilitate additional meetings to incorporate more localized areas in the subregional planning process. At the discretion of the Office of the Interconnection, a designated Transmission Owner may facilitate Subregional RTEP Committee meeting(s), or the additional meetings incorporating the more localized areas.

(g) The Subregional RTEP Committees shall schedule and facilitate meetings regarding Supplemental Projects, as described in the Tariff, Attachment M-3.

(h) The Subregional RTEP Committees shall be governed by the Transmission Expansion Advisory Committee rules and procedures set forth in the PJM Regional

Planning Process Manual (Manual M-14 series) and by the rules and procedures applicable to PJM committees.

1.6 Approval of the Final Regional Transmission Expansion Plan.

(a) Based on the studies and analyses performed by the Office of the Interconnection under ~~this~~ Operating Agreement, Schedule 6, the PJM Board shall approve the Regional Transmission Expansion Plan in accordance with the requirements of ~~this~~ Operating Agreement, Schedule 6. The PJM Board shall approve the cost allocations for transmission enhancements and expansions consistent with Tariff,~~-~~ Schedule 12 ~~of the PJM Tariff~~. Supplemental Projects shall be integrated into the Regional Transmission Expansion Plan approved by the PJM Board but shall not be included for cost allocation purposes.

(b) The Office of the Interconnection shall publish the current, approved Regional Transmission Expansion Plan on the PJM Internet site. Within 30 days after each occasion when the PJM Board approves a Regional Transmission Expansion Plan, or an addition to such a plan, that designates one or more Transmission Owner(s) or Designated Entity(ies) to construct such expansion or enhancement, the Office of the Interconnection shall file with FERC a report identifying the expansion or enhancement, its estimated cost, the entity or entities that will be responsible for constructing and owning or financing the project, and the market participants designated under Operating Agreement, Schedule 6, s~~S~~ection 1.5.6(l) ~~above~~ to bear responsibility for the costs of the project.

(**c**) If a Regional Transmission Expansion Plan is not approved, or if the transmission service requested by any entity is not included in an approved Regional Transmission Expansion Plan, nothing herein shall limit in any way the right of any entity to seek relief pursuant to the provisions of Section 211 of the Federal Power Act.

(d) Following PJM Board approval, the final Regional Transmission Expansion Plan shall be documented, posted publicly and provided to the Applicable Regional Entities.

1.7 Obligation to Build.

(a) Subject to the requirements of applicable law, government regulations and approvals, including, without limitation, requirements to obtain any necessary state or local siting, construction and operating permits, to the availability of required financing, to the ability to acquire necessary right-of-way, and to the right to recover, pursuant to appropriate financial arrangements and tariffs or contracts, all reasonably incurred costs, plus a reasonable return on investment, Transmission Owners or Designated Entities designated as the appropriate entities to construct, own and/or finance enhancements or expansions specified in the Regional Transmission Expansion Plan shall construct, own and/or finance such facilities or enter into appropriate contracts to fulfill such obligations. Except as provided in Operating Agreement, Schedule 6, s~~S~~ection 1.5.8(k) ~~of this Schedule 6~~, nothing herein shall require any Transmission Owner to construct, finance or own any enhancements or expansions specified in the Regional Transmission Expansion Plan for which the plan designates an entity other than a Transmission Owner as the appropriate entity to construct, own and/or finance such enhancements or expansions.

(b) Nothing herein shall prohibit any Transmission Owner from seeking to recover the cost of enhancements or expansions on an incremental cost basis or from seeking approval of such rate treatment from any regulatory agency with jurisdiction over such rates.

(c) The Office of the Interconnection shall be obligated to collect on behalf of the Transmission Owner(s) or Designated Entity(ies) all charges established under Tariff, Schedule 12 ~~of the PJM Tariff~~ in connection with facilities which the Office of the Interconnection designates one or more Transmission Owners or Designated Entity(ies) to build pursuant to this Regional Transmission Expansion Planning Protocol. Such charges shall compensate the Transmission Owner(s) or Designated Entity(ies) for all costs related to such RTEP facilities under a FERC-approved rate and will include any FERC-approved incentives.

(d) In the event that a Transmission Owner declines to construct an economic transmission enhancement or expansion developed under Sections 1.5.6(d) and 1.5.7 of this Schedule 6 that such Transmission Owner is designated by the Regional Transmission Expansion Plan to construct (in whole or in part), the Office of the Interconnection shall promptly file with the FERC a report on the results of the pertinent economic planning process in order to permit the FERC to determine what action, if any, it should take.

SCHEDULE 6-A
Interregional Transmission Coordination Between the SERTP and PJM Regions

The Office of the Interconnection, through its regional transmission planning process, coordinates with the public utility transmission providers of Southeastern Regional Transmission Planning ("SERTP," and individually, "SERTP Transmission Provider," and collectively, "SERTP Transmission Providers"), as the transmission providers and planners for the SERTP region to address transmission planning coordination issues related to interregional transmission projects. The interregional transmission coordination procedures include a detailed description of the process for coordination between the SERTP Transmission Providers and the Office of the Interconnection, to identify possible interregional transmission projects that could address transmission needs more efficiently or cost-effectively than transmission projects included in the respective regional transmission plans. The interregional transmission coordination procedures are hereby provided in this Schedule 6-A with additional materials provided on the PJM Regional Planning website.

The Office of the Interconnection and each of the SERTP Transmission Providers shall:

(1) Coordinate and share the results of the SERTP Transmission Providers' and the Office of the Interconnection's regional transmission plans to identify possible interregional transmission projects that could address transmission needs more efficiently or cost-effectively than separate regional transmission projects;

(2) Identify and jointly evaluate transmission projects that are proposed to be located in both transmission planning regions;

(3) Exchange, at least annually, planning data and information; and

(4) Maintain a website and e-mail list for the communication of information related to the coordinated planning process.

The SERTP Transmission Providers and the Office of the Interconnection developed a mutually agreeable method for allocating between the two transmission planning regions the costs of new interregional transmission projects that are located within both transmission planning regions. Such cost allocation method satisfies the six interregional cost allocation principles set forth in Order No. 1000 and are included in ~~this~~ Tariff, Schedule 12-B ~~of the PJM Open Access Transmission Tariff ("Schedule 12-B")~~.

For purposes of this Schedule 6-A, each of the SERTP Transmission Provider's transmission planning process is the process described in each of the SERTP Transmission Providers' open access transmission tariffs; the Office of the Interconnection's regional transmission planning process is the process described in Operating Agreement, Schedule 6 ~~of this Agreement~~. References to the respective transmission planning processes in each of the SERTP Transmission Providers' open access transmission tariffs are intended to identify the activities described in those tariff provisions. References to the respective regional transmission plans in this Schedule 6-A are intended to identify, for the Office of the Interconnection, the PJM

Regional Transmission Expansion Plan ("RTEP"), as defined in applicable PJM documents and, for the each SERTP Transmission Providers, the SERTP regional transmission plan which includes the applicable ten (10) year transmission expansion plan. Unless noted otherwise, Section references in this Schedule 6-A refer to Sections within this Schedule 6-A.

Nothing in this Schedule 6-A is intended to affect the terms of any bilateral planning or operating agreements between transmission owners and/or transmission service providers that exist as of the effective date of this Schedule 6-A or that are executed at some future date.

INTERREGIONAL TRANSMISSION PLANNING PRINCIPLES

Representatives of the SERTP and the Office of the Interconnection will meet no less than once per year to facilitate the interregional coordination procedures described below (as applicable). Representatives of the SERTP and the Office of the Interconnection may meet more frequently during the evaluation of project(s) proposed for purposes of interregional cost allocation between the SERTP and the Office of the Interconnection. For purposes of this Schedule 6-A, an "interregional transmission project" means a facility or set of facilities that would be physically located in both the SERTP and PJM regions and would interconnect to transmission facilities in both the SERTP and PJM regions. The facilities to which the project is proposed to interconnect may be either existing transmission facilities or transmission projects included in the regional transmission plan that are currently under development.

1. **Coordination**

1.1 **Review of Respective Regional Transmission Plans:** Biennially, the Office of the Interconnection and the SERTP Transmission Providers shall review each other's current regional transmission plan(s) and engage in the data exchange and joint evaluation described in sSections 2 and 3 below.

1.1.1 The review of each region's regional transmission plan(s), which plans include the transmission needs and planned upgrades of the transmission providers in each region, shall occur on a mutually agreeable timetable, taking into account each region's transmission planning process timeline.

1.2 **Review of Proposed Interregional Transmission Projects:** The SERTP Transmission Providers and the Office of the Interconnection will also coordinate with regard to the evaluation of interregional transmission projects identified by the SERTP Transmission Providers- and the Office of the Interconnection as well as interregional transmission projects proposed for Interregional Cost Allocation Purposes ("Interregional CAP"), pursuant to sSections 3 below and Tariff, Schedule 12-B ~~of the PJM Open Access Transmission Tariff~~. Initial coordination activities regarding new interregional proposals will typically begin during the third calendar quarter. The SERTP Transmission Providers and the Office of the Interconnection will exchange status updates for new interregional transmission project proposals or proposals currently under consideration as needed. These status updates will generally include, if applicable: (i) an update of the region's evaluation of the proposal; (ii) the

latest calculation of Regional Benefits (as defined in Tariff, -Schedule 12-B); (iii) the anticipated timeline for future assessments; and (iv) reevaluations related to the proposal.

1.3 **Coordination of Assumptions Used in Joint Evaluation:** The SERTP Transmission Providers and the Office of the Interconnection will coordinate assumptions used in joint evaluations, as necessary, which includes items such as:

1.3.1 Expected timelines/milestones associated with the joint evaluation
1.3.2 Study assumptions
1.3.3 Regional benefit calculations

1.4 **Posting of Materials on Regional Planning Websites:** The SERTP Transmission Providers and the Office of the Interconnection will coordinate with respect to the posting of materials related to the interregional coordination procedures described in this Schedule 6-A on each region's regional planning website.

2. Data Exchange

2.1 At least annually, each of the SERTP Transmission Providers and the Office of the Interconnection shall exchange power-flow models and associated data used in the regional transmission planning processes to develop their respective then-current regional transmission plan(s). This exchange will occur when such data is available in each of the transmission planning processes, typically during the first calendar quarter. Additional transmission-based models and data may be exchanged between the SERTP Transmission Providers and the Office of the Interconnection as necessary and if requested. For purposes of the interregional coordination activities outlined in this Schedule 6-A, only data and models used in the development of the SERTP Transmission Provider's and the Office of the Interconnection's then-current regional transmission plans and used in their respective regional transmission planning processes will be exchanged. This data will be posted on the pertinent regional transmission planning process' websites, consistent with the posting requirements of the respective regional transmission planning processes, and is considered CEII. The Office of the Interconnection shall notify the SERTP Transmission Providers of such posting.

2.2 The RTEP will be posted on the Office of the Interconnection's Regional Planning website pursuant to the Office of the Interconnection's regional transmission planning process. The Office of the Interconnection shall notify the SERTP Transmission Providers of such posting so that the SERTP Transmission Providers may retrieve these transmission plans. Each of the SERTP Transmission Providers will exchange its then-current regional plan(s) in a similar manner according to its regional transmission planning process.

3. Joint Evaluation

3.1 **Identification of Interregional Transmission Projects:** The SERTP Transmission Providers and the Office of the Interconnection shall exchange planning models and data and current regional transmission plans as described in sSection 2 above. Each SERTP Transmission Provider and the Office of the Interconnection will review one another's then-current regional transmission plan(s) in accordance with the coordination procedures described

in ~~S~~section 1 above and their respective regional transmission planning processes. If through this review, a SERTP Transmission Provider and the Office of the Interconnection identify a potential interregional transmission project that could be more efficient or cost effective than projects included in the respective regional plans, the SERTP Transmission Provider and the Office of the Interconnection will jointly evaluate the potential project pursuant to ~~S~~section 3.3 below.

3.2 **Identification of Interregional Transmission Projects by Stakeholders:** Stakeholders may propose projects that may be more efficient or cost-effective than projects included in the SERTP Transmission Providers' and the Office of the Interconnection's regional transmission plans pursuant to the procedures in each region's regional transmission planning processes. The SERTP Transmission Providers and Office of the Interconnection will evaluate interregional transmission projects proposed by stakeholders pursuant to ~~S~~section 3.3 below.

3.3 **Evaluation of Interregional Transmission Projects:** The SERTP Transmission Providers and the Office of the Interconnection shall act through their respective regional transmission planning processes to evaluate potential interregional transmission projects and to determine whether the inclusion of any potential interregional transmission projects in each region's regional transmission plan would be more efficient or cost-effective than projects included in the respective then-current regional transmission plans. Such analysis shall be consistent with accepted planning practices of the respective regions and the methods utilized to produce each region's respective regional transmission plan(s). The Office of the Interconnection will evaluate potential interregional transmission projects consistent with Operating Agreement, Schedule 6 and the PJM Manuals 14A entitled New Services Request Process~~Generation and Transmission Interconnection Process~~ and 14B entitled PJM Region Transmission Planning Process on the PJM Website at http://www.pjm.com/documents/manuals.aspx. To the extent possible and as needed, assumptions and models will be coordinated between the SERTP Transmission Providers and the Office of the Interconnection, as described in ~~S~~section 1 above. Data shall be exchanged to facilitate this evaluation using the procedures described in ~~S~~section 2 above.

3.4 **Evaluation of Interregional Transmission Projects Proposed for Interregional Cost Allocation Purposes:** Interregional transmission projects proposed for Interregional CAP must be submitted in both the SERTP and PJM regional transmission planning processes. The project submittals must satisfy the applicable requirements for submittal of interregional transmission projects, including those in Operating Agreement, Schedule 6 ~~of this Agreement~~ and Tariff, Schedule 12-B ~~of the PJM Tariff~~. The submittals in the respective regional transmission planning processes must identify the project proposal as interregional in scope and identify SERTP and PJM as the regions in which the project is proposed to interconnect. The Office of the Interconnection will determine whether the submittal for the proposed interregional transmission project satisfies all applicable requirements. Upon finding that the project submittal satisfies all such applicable requirements, the Office of the Interconnection will notify the SERTP Transmission Provider. Upon both regions so notifying one another that the project is eligible for consideration pursuant to their respective regional transmission planning processes, the SERTP Transmission Provider and the Office of the Interconnection will jointly evaluate the proposed interregional projects.

3.4.1 If an interregional transmission project is proposed in the SERTP and Office of Interconnection for Interregional CAP, the initial evaluation of the project will typically begin during the third calendar quarter, with analysis conducted in the same manner as analysis of interregional projects identified pursuant to sSections 3.1 and 3.2 above. Further evaluation shall also be performed pursuant to this sSection 3.4. Projects proposed for Interregional CAP shall also be subject to the requirements of Tariff, Schedule 12-B.

3.4.2. Each region, acting through its regional transmission planning process, will evaluate proposals to determine whether the interregional transmission project(s) proposed for Interregional CAP addresses transmission needs that are currently being addressed with projects in its regional transmission plan(s) and, if so, which projects in the regional transmission plan(s) could be displaced by the proposed project(s).

3.4.3. Based upon its evaluation, each region will quantify a Regional Benefit based upon the transmission costs that each region is projected to avoid due to its transmission projects being displaced by the proposed project. For purposes of this Schedule 6-A, "Regional Benefit" means: (i) for the SERTP Transmission Providers, the total avoided costs of projects included in the then-current regional transmission plan that would be displaced if the proposed interregional transmission project was included and (ii) for the Office of the Interconnection, the total avoided costs of projects included in the then-current regional transmission plan that would be displaced if the proposed interregional transmission project was included. The Regional Benefit is not necessarily the same as the benefits used for purposes of regional cost allocation.

3.5 **Inclusion of Interregional Projects Proposed for Interregional CAP in Regional Transmission Plans:** An interregional transmission project proposed for Interregional CAP in the SERTP and Office of the Interconnection will be included in the respective regional plans for purposes of cost allocation only after it has been selected by both the SERTP and Office of the Interconnection regional processes to be included in their respective regional plans for purposes of cost allocation.

3.5.1. To be selected in both the SERTP and Office of the Interconnection regional plans for purposes of cost allocation means that each region has performed all evaluations, as prescribed in its regional transmission planning processes, necessary for a project to be included in its regional transmission plans for purposes of cost allocation.

- For SERTP: All requisite approvals are obtained, as prescribed in the SERTP regional transmission planning process, necessary for a project to be included in the SERTP regional transmission plan for purposes of cost allocation. This includes any requisite regional benefit to cost ("BTC") ratio calculations performed pursuant to the respective regional transmission planning processes. For purposes of the SERTP, the anticipated allocation of costs of the interregional transmission project for use in the regional BTC ratio calculation shall be based upon the ratio of the SERTP's Regional Benefit to the sum of the Regional Benefits identified for both the SERTP and the Office of the Interconnection; and

- For the Office of Interconnection: All requisite approvals are obtained, as prescribed in the PJM regional transmission planning process, necessary for a project to be included in the RTEP for purposes of cost allocation.

3.6 **Removal from Regional Plans:** An interregional transmission project may be removed from the SERTP's or Office of the Interconnection's regional plan for purposes of cost allocation: (i) if the developer fails to meet developmental milestones; (ii) pursuant to the reevaluation procedures specified in the respective regional transmission planning processes; or (iii) if the project is removed from one of the region's regional transmission plan(s) pursuant to the requirements of its regional transmission planning process.

3.6.1 The Office of the Interconnection, shall notify the SERTP Transmission Provider if an interregional project or a portion thereof is likely to be removed from its regional transmission plan.

4. Transparency

4.1 The Office of the Interconnection shall post procedures for coordination and joint evaluation on the Regional Planning website.

4.2 Access to the data utilized will be made available through the Regional Planning website subject to the appropriate clearance, as applicable (such as CEII and confidential non-CEII). Both planning regions will make available, on their respective regional websites, links to where stakeholders can register (if applicable/available) for the stakeholder committees or distribution lists of the other planning region.

4.3 PJM will provide status updates of SERTP interregional activities to the TEAC including:

- Facilities to be evaluated
- Analysis performed
- Determinations/results.

4.4 Stakeholders will have an opportunity to provide input and feedback within the respective regional planning processes of SERTP and the Office of the Interconnection related to interregional facilities identified, analysis performed, and any determination/results. Stakeholders may participate in either or both regions' regional planning processes to provide their input and feedback regarding the interregional coordination between the SERTP and the Office of the Interconnection.

4.5 The Office of the Interconnection will post a list on the Regional Planning Website of interregional transmission projects proposed for purposes of cost allocation in both the SERTP and PJM that are not eligible for consideration because they do not satisfy the regional project threshold criteria of one or both of the regions as well as post an explanation of the thresholds the proposed interregional project failed to satisfy.

SCHEDULE 6-B
Interregional Transmission Coordination Between PJM, New York Independent System Operator, Inc. and ISO New England Inc.

PJM, its Transmission Owners, and any other interested parties shall coordinate system planning activities with neighboring planning regions, (*i.e.*, New York Independent System Operator, Inc. and ISO New England Inc.) ("ISO/RTO Regions") pursuant to the Northeastern Planning Protocol ("Protocol") identified ~~at~~ in ~~section 1.5.5(b) of~~ Operating Agreement, Schedule 6, section 1.5.5(b) ~~herein~~.

The Interregional Planning Protocol includes a description of the committee structure, processes, and procedures through which system planning activities are openly and transparently coordinated by the ISO/RTO Regions. The objective of the interregional planning process is to contribute to the on-going reliability and the enhanced operational and economic performance of the ISO/RTO Regions through: (i) exchange of relevant data and information; (ii) coordination of procedures to evaluate certain interconnection and transmission service requests; (iii) periodic comprehensive interregional assessments; (iv) identification and evaluation of potential Interregional Transmission Projects that can address regional needs in a manner that may be more efficient or cost-effective than separate regional solutions, in accordance with the requirements of Order No. 1000.

Section 9 of the Protocol indicates that the cost allocation for identified interregional transmission projects between PJM and NYISO shall be conducted in accordance with the Joint Operating Agreement Among and Between New York Independent System Operator, Inc. and PJM Interconnection, L.L.C. referenced ~~at~~ in Operating Agreement, Schedule 6, section 1.5.5(b). ~~of this Schedule 6~~

The planning activities of the ISO/RTO Regions shall be conducted consistent with the planning criteria of each ISO/RTO Region. The ISO/RTO Regions shall periodically produce a Northeastern Coordinated System Plan that integrates the system plans of all of the ISO/RTO Regions.

1.3 Allocation of Costs When PJM is the Registered Entity

(a) If NERC assesses a monetary penalty against PJM as the Registered Entity for a violation of a NERC Reliability Standard(s), and the conduct of a Member or Members contributed to the Reliability Standard violation(s) at issue, then PJM may directly allocate such penalty costs or a portion thereof to the Member or Members whose conduct contributed to the Reliability Standards violation(s), provided that all of the following conditions have been satisfied:

(1) The Member or Members received notice and an opportunity to fully participate in the underlying Compliance Monitoring and Enforcement Program proceeding;

(2) This Compliance Monitoring and Enforcement Program proceeding produced a finding, subsequently filed with FERC, that the Member contributed, either in whole or in part, to the NERC Reliability Standards violation(s); and

(3) A root cause finding by NERC filed with the FERC identifying the Member's or Members' conduct as causing or contributing to the Reliability Standards violation charged against PJM as the Registered Entity.

(b) PJM will notify the Member or Members found to have contributed to a violation, either in whole or in part, in the Compliance Monitoring and Enforcement Program. Such notification shall set forth in writing PJM's intent to invoke this s~~S~~ection 1.3 and directly assign the costs associated with a monetary penalty to the Member or Members and the underlying factual basis supporting a penalty cost assignment including the conduct contributing to the violation and the violations of the PJM Governing Agreement assigned tasks leading to the issuance of a penalty against the Registered Entity.

(c) A failure by a Member or Members to participate in the Compliance Monitoring and Enforcement Program proceedings will not prevent PJM from directly assigning the costs associated with a monetary penalty to the responsible Member or Members provided all other conditions set forth herein have been satisfied.

(d) PJM shall notify the Members or Members that PJM believes the criteria for direct assignment and allocation of costs under this Schedule have been satisfied.

(e) Where the Regional Entity's and/or NERC's root cause finds that more than one party's conduct contributed to the Reliability Standards violation(s), PJM shall inform all involved Members and shall make an initial apportionment for purposes of the cost allocation on a basis reasonably proportional to the parties' relative fault consistent with such NERC's root cause analysis.

(f) Should Member or Members disagree with PJM regarding PJM's initial apportionment of the fault, the Dispute Resolution Procedures in Operating Agreement, sSection 5 ~~of the Operating Agreement~~ shall not apply, but the parties' senior management shall first meet in an attempt to informally resolve the issue. If the disagreement cannot be resolved informally within ten (10) Business Days (or such other deadline as mutually agreed) then the following provisions shall apply:

(i) If an involved Member so elects, an informal non-binding proceeding shall be conducted within 30 days before a dispute resolution board consisting of officers of two (2) PJM Members who are not parties to the dispute and who are selected by a random drawing of names from the pool of available PJM Members and one (1) member of the PJM Board of Managers. Such dispute resolution board shall decide on the procedures to be used for the proceeding. The final recommendation of the dispute resolution board shall be made in private session within three (3) Business Days of the termination of the proceeding. The recommendation of the dispute resolution board shall be made by simple majority vote. The dispute resolution board may, but shall not be required to, provide a written basis for its recommendation; or

(ii) If an involved Member selects not to participate in the informal non-binding proceeding, then the matter shall be submitted to the FERC pursuant to Section 205 of the Federal Power Act. In the FERC proceeding, the involved Member shall request that FERC determine how the costs associated with the monetary penalty should be allocated. However, if there are multiple involved Members, and if any one of them desires a proceeding described in sSection 1.3(f)(i) above, such proceeding shall first be conducted with respect to the Member(s) desiring such a proceeding.

(g) If PJM and the involved Member(s) agree on a proportion of penalty cost allocation, such agreement shall be submitted to the FERC pursuant to Section 205 of the Federal Power Act.

(h) Notwithstanding anything to the contrary contained herein, if the Member or Members fail to pay their share of the Reliability Standard violation costs within 30 days of receipt of the notice required in paragraph 1.3-(b) above, and the FERC issues a final order or orders which supports the NERC's root cause findings regarding the Member's or Members' conduct causing or contributing to the violation and PJM's initial determinations in paragraph 1.3-(f) above, such payment shall be due with interest calculated at the FERC authorized rate from the date of payment of the penalty by the Registered Entity. Provided, however, if the Member or Members pays their share of the Reliability Standard violation costs within 30 days of receipt of the notice required in paragraph 1.3-(b) above, and the FERC issues a final order or orders which does not support the NERC's

root cause findings regarding the Member's or Members' conduct causing or contributing to the violation and PJM's initial determinations in paragraph 1.3-(f) above, such payment shall be refunded in full with interest calculated at the FERC authorized rate from the date of payment of the penalty by the Member or Members.

1.4 Allocation of Costs When a PJM Member is the Registered Entity

(a) If NERC assesses a monetary penalty against a Member as the Registered Entity for a violation of a NERC Reliability Standard(s), and the conduct of PJM contributed to the Reliability Standard violation(s) at issue, then such Member may directly allocate such penalty costs or portion thereof to PJM to the extent PJM's conduct contributed to the Reliability Standards violation(s), provided that the following conditions have been satisfied:

(1) PJM received notice and an opportunity to fully participate in the underlying Compliance Monitoring and Enforcement Program proceeding;

(2) This Compliance Monitoring and Enforcement Program proceeding produced a finding, subsequently filed with FERC, that PJM contributed, either in whole or in part, to the NERC Reliability Standards violation(s); and

(3) A root cause finding by NERC has been filed at the FERC identifying PJM's conduct as causing or contributing to the Reliability Standards violation charged against the Member as the Registered Entity.

(b) The Member shall notify PJM if PJM is found to have contributed to a violation, either in whole or in part in the Compliance Monitoring and Enforcement Program. Such notification shall set forth in writing the Member's intent to invoke this ~~S~~section 1.4 and directly assign the costs associated with a monetary penalty to PJM and the underlying factual basis supporting a penalty cost assignment including the conduct contributing to the violation and the violations of the PJM Governing Agreement assigned tasks leading to the issuance of a penalty against the Registered Entity.

(c) A failure by PJM to participate in the Compliance Monitoring and Enforcement Program proceedings will not prevent the Member from directly assigning the costs associated with a monetary penalty to PJM provided all other conditions set forth herein have been satisfied.

(d) The Member shall notify PJM that the Member believes the criteria for direct assignment and allocation of costs under this Schedule have been satisfied.

(e) Where the Regional Entity's and/or NERC's root cause analysis finds more ~~-~~than one party's conduct contributed to the Reliability Standards violation(s), the Member shall inform PJM and make an initial apportionment for purposes of the cost allocation on a basis reasonably proportional to PJM's relative fault consistent with such root cause analysis.

(f) Should PJM disagree with the Member regarding the Member's initial apportionment of the fault, the Dispute Resolution Procedures in Operating Agreement, Schedule 5 ~~of the Operating Agreement~~ shall not apply, but the parties' senior management shall first meet in an attempt to informally resolve the issue. If the disagreement cannot be resolved

informally within ten (10) Business Days (or other such deadline as mutually agreed) then the following provisions shall apply:

i. If PJM so elects, an informal non-binding proceeding shall be conducted within 30 days before a dispute resolution board consisting of officers of two (2) PJM Members who are not parties to the dispute and who are selected by a random drawing of names from the pool of available PJM Members and one (1) member of the PJM Board of Managers. Such dispute resolution board shall decide on the procedures to be used for the proceeding. The final recommendation of the dispute resolution board shall be made in private session within three (3) Business Days of the termination of the proceeding. The recommendation of the dispute resolution board shall be made by simple majority vote. The dispute resolution board may, but shall not be required to, provide a written basis for its recommendation; or

ii. If PJM selects not to participate in the informal non-binding proceeding, the matter shall be submitted to the FERC pursuant to Section 205 of the Federal Power Act. In the FERC proceeding, PJM shall request that the FERC determine how the costs associated with the monetary penalty should be assigned.

(g) If the PJM and the involved Member(s) agree on a proportion of penalty cost allocation, such agreement shall be submitted to the FERC pursuant to Section 205 of the Federal Power Act.

(h) Notwithstanding anything to the contrary contained herein, if PJM fails to pay its share of the Reliability Standard violation costs within 30 days of receipt of the notice required in paragraph 1.4 (b) above, and the FERC issues a final order or orders which supports the NERC's root cause findings regarding PJM's conduct causing or contributing to the violation and the Member's initial determinations in paragraph 1.4 (f) above, such payment shall be due with interest calculated at the FERC authorized rate from the date of payment of the penalty by the Registered Entity. Provided, however, if PJM pays its share of the Reliability Standard violation costs within 30 days of receipt of the notice required in paragraph 1.4 (b) above, and the FERC issues a final order or orders which does not support the NERC's root cause findings regarding PJM's conduct causing or contributing to the violation and the Member's initial determinations in paragraph 1.4 (f) above, such payment shall be refunded in full with interest calculated at the FERC authorized rate from the date of payment of the penalty by PJM.

ATTACHMENT K

Transmission Congestion and Loss Charges and Credits

Preface.

This Attachment and Tariff, Attachment K~~–~~–~~–~~Appendix specify the manner in which all Transmission Customers, Network Customers, and Transmission Owners using the Transmission System to serve their Native Load Customers and Market Participants submitting Virtual Transactions will be charged for the costs of congestion and losses on the Transmission System, the manner in which all FTR Holders share in the allocation of revenues received as Transmission Congestion Charges~~–~~, and the manner in which Network Service Users, Market Participants in the PJM Interchange Energy Market and Transmission Customers share in the allocation of Transmission Loss Charges. In addition, Tariff, Attachment K~~–~~-~~–~~Appendix incorporates into the Tariff for ease of reference the provisions of Operating Agreement, Schedule 1~~ of the Operating Agreement ("Schedule 1")~~. Capitalized terms used in this Attachment which are not defined in the Tariff or in this~~e~~ Attachment, but which are defined in Operating Agreement, Schedule 1 shall have the meanings set forth in Operating Agreement, Schedule 1.

4.

In determining the total billable amount of Transmission Congestion Charges, the Office of the Interconnection, on behalf of PJMSettlement, shall take into account and set-off against each other both positive Transmission Congestion Charges and negative Transmission Congestion Charges in accordance with Tariff, ~~Section 5 of~~ Attachment K~~–~~Appendix, section 5. PJMSettlement shall exclude~~-~~ transactions on the PJM Interchange Energy Market in issuing a statement, invoice, or payment for the net amount owed~~-~~ for Transmission Congestion Charges for any period.

In determining the total billable amount of Transmission Loss Charges, the Office of the Interconnection, on behalf of PJMSettlement, shall take into account and set-off against each other both positive Transmission Loss Charges and negative Transmission Loss Charges in accordance with Tariff, ~~Section 5 of~~ Attachment K~~–~~Appendix, section 5. PJMSettlement shall exclude transactions on the PJM Interchange Energy Market in issuing a statement, invoice, or payment for the net amount owed for Transmission Loss Charges for any period.

1.

Financial Transmission Rights may be acquired by purchase in the Financial Transmission Rights auctions or in the secondary market provided for in Tariff, ~~Section 7 of~~ Attachment K-- Appendix, section 7.

Each holder of an FTR shall receive the total Transmission Congestion Credits determined in accordance with ~~Section 5 of~~ Tariff, Attachment K---Appendix, section 5.
Each Network Service User and Transmission Customer shall receive an allocation of Transmission Loss Credits in accordance with ~~Section 5 of~~ Tariff, Attachment K-- Appendix, section 5.

ARTICLE 2 -- PURPOSE

This Agreement is intended to ensure that adequate Capacity Resources, including planned and Existing Generation Capacity Resources, planned and existing Demand Resources, and Energy Efficiency Resources will be planned and made available to provide reliable service to loads within the PJM Region, to assist other Parties during Emergencies and to coordinate planning of such resources consistent with the Reliability Principles and Standards. Further, it is the intention and objective of the Parties to implement this Agreement in a manner consistent with the development of a robust competitive marketplace. To accomplish these objectives, this Agreement is among all of the Load Serving Entities within the PJM Region. Unless this Agreement is terminated as provided in RAA, Article 3, s~~S~~ection 3.3, every entity which is or will become a Load Serving Entity within the PJM Region is to become and remain a Party to this Agreement or to an agreement (such as a requirements supply agreement) with a Party pursuant to which that Party has agreed to act as the agent for the Load Serving Entity for purposes of satisfying the obligations under this Agreement related to the load within the PJM Region of that Load Serving Entity. Nothing herein is intended to abridge, alter or otherwise affect the emergency powers the Office of the Interconnection may exercise under the Operating Agreement and PJM Tariff.

3.3 Termination.

3.3.1 Rights to Terminate.

This Agreement may be terminated by a vote in the Members Committee to terminate the Agreement by an affirmative Sector Vote as specified in the Operating Agreement and upon the receipt of all Required Approvals related to the termination of this Agreement. Any such termination must be approved by the PJM Board and filed with the FERC and shall become effective only upon the FERC's approval.

3.3.2 Obligations upon Termination.

Any provision of this Agreement that expressly or by implication comes into or remains in force following the termination of this Agreement shall survive such termination. The surviving provisions shall include, but shall not be limited to: (a) final settlement of the obligations of each Party under RAA, Article~~s~~ 8 and RAA, Article 12~~ of this Agreement~~, including the accounting for the period ending with the last day of the month for which the Agreement is effective, (b) the provisions of this Agreement necessary to conduct final billings, collections and accounting with respect to all matters arising hereunder and (c) the indemnification provisions as applicable to periods prior to such termination.

5.1 Withdrawal of a Party.

5.1.1 Notice.

Upon written notice to the Office of the Interconnection, any Party may withdraw from this Agreement, effective upon the completion of its obligations hereunder and the documentation by such Party, to the satisfaction of the Office of the Interconnection, that such Party is no longer a Load Serving Entity.

5.1.2 Determination of Obligations.

A Party's obligations hereunder shall be completed as of the end of the last month for which such Party's obligations have been set at the time said notice is received, except as provided in RAA, Article 13, or unless the Members Committee determines that the remaining Parties will be able to adjust their obligations and commitments related to the performance of this Agreement consistent with such earlier withdrawal date as may be requested by the withdrawing Party, without undue hardship or cost, while maintaining the reliability of the PJM Region.

5.1.3 Survival of Obligations upon Withdrawal.

(a) The obligations of a Party upon its withdrawal from this Agreement and any obligations of that Party under this Agreement at the time of its withdrawal shall survive the withdrawal of the Party from this Agreement. Upon the withdrawal of a Party from this Agreement, final settlement of the obligations of such Party under RAA, Article~~s~~ 7 and RAA, Article 11 ~~of this Agreement~~ shall include the accounting through the date established pursuant to RAA, Article 5, s~~S~~ection~~s~~ 5.1.1 and RAA, Article 5, section 5.1.2.

(b) Any Party that withdraws from this Agreement shall pay all costs and expenses associated with additions, deletions and modifications to communication, computer, and other affected facilities and procedures, including any filing fees, to effect the withdrawal of the Party from the Agreement.

(c) Prior to withdrawal, a withdrawing Party desiring to remain interconnected with the PJM Region shall enter into a control area to control area interconnection agreement with the Office of the Interconnection and the transmission owner or Electric Distributor within the PJM Region with which its facilities are interconnected.

5.1.4 Regulatory Review.

Any withdrawal from this Agreement shall be filed with FERC and shall become effective only upon FERC's approval.

5.2 Breach by a Party.

The provisions of Operating Agreement, sSection 15.1 ~~of the Operating Agreement~~ shall apply to a Party's (a) failure to pay any amount due under this Agreement when due or (b) breach of any material obligation under this Agreement. In addition to the remedies available to the Office of the Interconnection set forth in Operating Agreement, sSection 15.1 ~~of the Operating Agreement~~, if the Party fails to cure such non-payment or breach, the Office of the Interconnection and the remaining Parties may, without an election of remedies, exercise all remedies available at law or in equity or other appropriate proceedings. Such proceedings may include (a) the commencement of a proceeding before the appropriate state regulatory commission(s) to request suspension or revocation of the breaching Party's license or authorization to serve retail load within the state(s) and/or (b) bringing any civil action or actions or recovery of damages that may include, but not be limited to, all amounts due and unpaid by the breaching Party, and all costs and expenses reasonably incurred in the exercise of its remedies hereunder (including, but not limited to, reasonable attorneys' fees).

7.1 Forecast Pool Requirement and Unforced Capacity Obligations.

(a) The Forecast Pool Requirement shall be established to ensure a sufficient amount of capacity to meet the forecast load plus reserves adequate to provide for the unavailability of Generation Capacity Resources, load forecasting uncertainty, and planned and maintenance outages. RAA, Schedule 4 sets forth guidelines with respect to the Forecast Pool Requirement.

(b) Unless the Party and its customer that is also a Load Serving Entity agree that such customer is to bear direct responsibility for the obligations set forth in this Agreement, (i) any Party that supplies Full Requirements Service to a Load Serving Entity within the PJM Region shall be responsible for all of that Load Serving Entity's capacity obligations under this Agreement for the period of such Full Requirements Service and (ii) any Party that supplies Partial Requirements Service to a Load Serving Entity within the PJM Region shall be responsible for such portion of the capacity obligations of that Load Serving Entity as agreed by the Party and the Load Serving Entity so long as the Load Serving Entity's full capacity obligation under this Agreement is allocated between or among Parties to this Agreement.

7.2 Responsibility to Pay Locational Reliability Charge.

Except to the extent its capacity obligations are satisfied through the FRR Alternative, each Party shall pay, as to the loads it serves in each Zone during a Delivery Year, a Locational Reliability Charge for each such Zone during such Delivery Year. The Locational Reliability Charge shall equal such Party's Daily Unforced Capacity Obligation in a Zone, as determined pursuant to RAA, Schedule 8 ~~of this Agreement~~, times the Final Zonal Capacity Price for such Zone, as determined pursuant to Tariff, Attachment DD ~~of the PJM Tariff~~.

7.5 Capacity Plans and Deliverability.

Each Party electing to provide Capacity Resources to meet its obligations hereunder shall submit to the Office of the Interconnection its plans (or revisions to previously submitted plans), as prescribed by RAA, Schedule 7, or, in the case of a Party electing the FRR Alternative, as prescribed by RAA, Schedule 8.1, to install or contract for Capacity Resources. As set forth in RAA, Schedule 10, each Party must designate its Capacity Resources as Network Resources or Points of Receipt under the PJM Tariff to allow firm delivery of the output of its Capacity Resources to the Party's load within the PJM Region and each Party must obtain any necessary Firm Transmission Service in an amount sufficient to deliver Capacity Resources from outside the PJM Region to the border of the PJM Region to reliably serve the Party's load within the PJM Region.

7.6 Nature of Resources.

Each Party electing to Self-Supply resources, or electing the FRR Alternative, shall provide or arrange for specific, firm Capacity Resources that are capable of supplying the energy requirements of its own load on a firm basis without interruption for economic conditions and with such other characteristics that are necessary to support the reliable operation of the PJM Region, as set forth in more detail in RAA, Schedule~~s~~ 6, RAA, Schedule 9 and RAA, Schedule 10.

9.3 Data Submissions.

Each Party shall submit to the Office of the Interconnection the data and other information necessary for the performance of this Agreement as may be more fully described, ~~–~~in RAA, Schedule 11 ~~hereof~~.

9.4 Charges for Failures to Comply.

(a) An emergency procedure charge, as set forth in Tariff, Attachment DD ~~to the PJM Tariff~~, shall be imposed on any Party that fails to comply with the directions of the Office of the Interconnection in times of Emergencies.

(b) A data submission charge, as set forth in RAA, Schedule 12, shall be imposed on any Party that fails to submit the data, plans or other information required by this Agreement in a timely or accurate manner as provided in RAA, Schedule 11.

9.5 Metering.

Each Party shall comply with the metering standards for the PJM Region, as set forth in the PJM Manuals, as well as any further metering requirements applicable to Price Responsive Demand, where such is relied upon for an adjustment to peak load pursuant to RAA, Schedule 6.1 ~~of this Agreement~~.

10.2 Cost Responsibility.

The costs determined under RAA, Article 10, s~~S~~ection 10.1(a) shall be allocated to and recovered from the Parties to this Agreement and other entities pursuant to Tariff, Schedule 9-5 ~~of the PJM Tariff~~.

11.1 Periodic Billing.

Each Party shall receive a statement periodically setting forth (i) any amounts due from or to that Party as a result of any charges imposed pursuant to this Agreement and (ii) that Party's share of any costs allocated to that Party pursuant to RAA, Article 10. To the extent practical, such statements are to be coordinated with any billings or statements required pursuant to the Operating Agreement or PJM Tariff.

12.1 Indemnification.

(a) Each Party agrees to indemnify and hold harmless each of the other Parties, its officers, directors, employees or agents (other than PJM Interconnection, L.L.C., its board or the Office of the Interconnection) for all actions, claims, demands, costs, damages and liabilities asserted by third parties against the Party seeking indemnification and arising out of or relating to acts or omissions in connection with this Agreement of the Party from which indemnification is sought, except (i) to the extent that such liabilities result from the willful misconduct of the Party seeking indemnification and (ii) that each Party shall be responsible for all claims of its own employees, agents and servants growing out of any workmen's compensation law. Nothing herein shall limit a Party's indemnity obligations under Operating Agreement, section~~Article~~ 16~~ of the Operating Agreement~~.

(b) The amount of any indemnity payment under this s~~S~~ection 12.1 shall be reduced (including, without limitation, retroactively) by any insurance proceeds or other amounts actually recovered by the Party seeking indemnification in respect of the indemnified actions, claims, demands, costs, damages or liabilities. If any Party shall have received an indemnity payment in respect of an indemnified action, claim, demand, cost, damage, or liability and shall subsequently actually receive insurance proceeds or other amounts in respect of such action, claim, demand, cost, damage, or liability, then such Party shall pay to the Party that made such indemnity payment the lesser of the amount of such insurance proceeds or other amounts actually received and retained or the net amount of the indemnity payments actually received previously.

13.2 Consequences of Assignment.

Upon the assignment of all of its rights and obligations hereunder to a successor consistent with the provisions of RAA, Article 13, s~~S~~ection 13.1, the assignor shall be deemed to have withdrawn from this Agreement.

15.2 Continuing Representations and Warranties.

Each Party represents and warrants to the other Parties that throughout the term of this Agreement:

(a) the Party is a Load Serving Entity;

(b) the Party satisfies the requirements of RAA, Schedule 2;

(c) the Party is in compliance with the Reliability Principles and Standards;

(d) the Party is a signatory, or its principals are signatories, to the agreements set forth in RAA, Schedule 3;

(e) the Party is in good standing in the jurisdiction where incorporated; and

(f) the Party will endeavor in good faith to obtain any corporate or regulatory authority necessary to allow the Party to fulfill its obligations hereunder.

16.4 Amendment.

This Agreement may be amended only by action of the PJM Board. Notwithstanding the foregoing, an Applicant eligible to become a Party in accordance with the procedures set forth in RAA, Article 4 shall become a Party by executing a counterpart of this Agreement without the need for execution of such counterpart by any other Party. The PJM Office of the Interconnection shall file with FERC any amendment to this Agreement approved by the PJM Board.

C. Response

Upon completion of the analysis, the Office of the Interconnection will inform the entity of (a) the estimated costs and expenses associated with modifications to communication, computer and other facilities and procedures, including any filing fees, needed to include the entity as a Party, (b) the entity's share of any costs pursuant to RAA, Article 10, and (c) the earliest date upon which the entity could become a Party. In addition, a counterpart of the Agreement shall be forwarded for execution.

SCHEDULE 4.1

DETERMINATION OF THE FORECAST POOL REQUIREMENT

A. Based on the guidelines set forth in RAA, Schedule 4, the Forecast Pool Requirement shall be determined as set forth in this Schedule 4.1 on an unforced capacity basis.

FPR = (1 + IRM/100) * (1- Pool-wide average $EFOR_D$/100)

where

average $EFOR_D$ = the average equivalent demand forced outage rate for the PJM Region, stated in percent and determined in accordance with Section B hereof

IRM = the PJM Region Installed Reserve Margin approved by the PJM Board for that Planning Period, stated in percent. Studies by the Office of the Interconnection to determine IRM shall not exclude outages that are deemed to be outside plant management control under NERC guidelines.

B. The PJM Region equivalent demand forced outage rate ("average $EFOR_D$") shall be determined as the capacity weighted $EFOR_D$ for all units expected to serve loads within the PJM Region during the Delivery Year, as determined pursuant to RAA, Schedule 5.

C. Methodology

Each year, the Forecast Pool Requirement for at least each of the next five Planning Periods shall be projected by applying suitable probability methods to the data and forecasts provided by the Parties and obtained from Electric Distributors, as described in RAA, Schedule 11, the Operating Agreement and in the PJM Manuals. The projection of the Forecast Pool Requirement shall consider the following data and forecasts as necessary:

1. Seasonal peak load forecasts for each Planning Period as calculated by PJM in accordance with the PJM Manuals reflecting (a) load forecasts with a 50 percent probability of being too high or too low and (b) summer peak diversities determined by the Office of the Interconnection from recent experience.

2. Forecasts of aggregate seasonal load shape of the Parties which are consistent with forecast averages of 52 weekly peak loads prepared by the Parties and obtained from Electric Distributors for their respective systems.

3. Variability of loads within each week, due to weather and other recurring and random factors, as determined by the Office of the Interconnection.

4. Generating unit capability and types for every existing and proposed unit.

5. Generator Forced Outage rates for existing mature generating units, as determined by the Office of the Interconnection, based on data submitted by the Parties for their respective systems, from recent experience, and for immature and proposed units based upon forecast rates related to unit types, capabilities and other pertinent characteristics.

6. Generator Maintenance Outage factors and planned outage schedules as determined by the Office of the Interconnection based on forecasts and historical data submitted by the Parties for their respective systems.

7. Miscellaneous adjustments to capacity due to all causes, as determined by the Office of the Interconnection, based on forecasts submitted by the Parties for their respective systems.

8. The emergency capacity assistance available as a function of interconnections of the PJM Region with other Control Areas, as limited by the capacity benefit margin considered in the determination of available transfer capability and the probable availability of generation in excess of load requirements in such areas.

E. Conditions on Purchases and Sales of Capacity Resources by FRR Entities

1. An FRR Entity may not include in its FRR Capacity Plan for any Delivery Year any Capacity Resource that has cleared in any auction under Tariff, Attachment DD ~~of the PJM Tariff~~ for such Delivery Year. Nothing herein shall preclude an FRR Entity from including in its FRR Capacity Plan any Capacity Resource that has not cleared such an auction for such Delivery Year. Furthermore, nothing herein shall preclude an FRR Entity from including in its FRR Capacity Plan a Capacity Resource obtained from a different FRR Entity, provided, however, that each FRR Entity shall be individually responsible for meeting its capacity obligations hereunder, and provided further that the same megawatts of Unforced Capacity shall not be committed to more than one FRR Capacity Plan for any given Delivery Year.

2. An FRR Entity that designates Capacity Resources in its FRR Capacity Plan(s) for a Delivery Year based on the Threshold Quantity may offer to sell Capacity Resources in excess of that needed for the Threshold Quantity in any auction conducted under Tariff, Attachment DD ~~of the PJM Tariff~~ for such Delivery Year, but may not offer to sell Capacity Resources in the auctions for any such Delivery Year in excess of an amount equal to the lesser of (a) 25% times the Unforced Capacity equivalent of the Installed Reserve Margin for such Delivery Year multiplied by the Preliminary Forecast Peak Load for which such FRR Entity is responsible under its FRR Capacity Plan(s) for such Delivery Year, or (b) 1300 MW.

3. An FRR Entity that designates Capacity Resources in its FRR Capacity Plan(s) for a Delivery Year based on the Threshold Quantity may not offer to sell such resources in any Reliability Pricing Model auction, but may use such resources to meet any increased capacity obligation resulting from unanticipated growth of the loads in its FRR Capacity Plan(s), subject to the limitations described in RAA, Schedule 8.1, section D, ~~S~~subsection D.2 ~~above~~, or may sell such resources to serve loads located outside the PJM Region, or to another FRR Entity, subject to subsection E.1 above.

4. A Party that has selected the FRR Alternative for only part of its load in the PJM Region pursuant to RAA, Schedule 8.1, section B, ~~S~~subsection B.2 ~~of this Schedule~~ that designates Capacity Resources as Self-Supply in a Reliability Pricing Model Auction to meet such Party's expected Daily Unforced Capacity Obligation under RAA, Schedule 8 shall not be required, solely as a result of such designation, to identify Capacity Resources in its FRR Capacity Plan(s) based on the Threshold Quantity; provided, however, that such Party may not so designate Capacity Resources in an amount in excess of the lesser of (a) 25% times such Party's total expected Unforced Capacity obligation (under both RAA, Schedule 8 and RAA, Schedule 8.1), or (b) 200 MW. A Party that wishes to avoid the foregoing limitation must identify Capacity Resources in its FRR Capacity Plan(s) based on the Threshold Quantity.

SCHEDULE 10.1

LOCATIONAL DELIVERABILITY AREAS AND REQUIREMENTS

The capacity obligations imposed under this Agreement recognize the locational value of Capacity Resources. To ensure that such locational value is properly recognized and quantified, the Office of the Interconnection shall follow the procedures in this Schedule.

A. The Locational Deliverability Areas for the purposes of determining locational capacity obligations hereunder, but not necessarily for the purposes of the Regional Transmission Expansion Planning Protocol, shall consist of the following Zones (as defined in RAA, Schedule 15), combinations of such Zones, and portions of such Zones:

- EKPC
- Cleveland
- ATSI
- DEOK
- Dominion
- Penelec
- ComEd
- AEP
- Dayton
- Duquesne
- APS
- AE
- BGE
- DPL
- PECO
- PEPCO
- PSEG
- JCPL
- MetEd
- PPL
- Mid-Atlantic Region (MAR) (consisting of all the zones listed below for Eastern MAR (EMAR), Western MAR (WMAR), and Southwestern MAR (SWMAR))
- ComEd, AEP, Dayton, APS, Duquesne, ATSI, DEOK, EKPC, and OVEC
- EMAR (PSE&G, JCP&L, PECO, AE, DPL & RE)
- SWMAR (PEPCO & BG&E)
- WMAR (Penelec, MetEd, PPL)
- PSEG northern region (north of Linden substation); and
- DPL southern region (south of Chesapeake and Delaware Canal

The Locational Deliverability Areas for the purposes of determining locational capacity obligations hereunder, but not necessarily for the purposes for the Regional Transmission Expansion Planning Protocol, shall also include any new Zones expected to be integrated into

PJM prior to the commencement of the Base Residual Auction for the Delivery Year for which the locational capacity obligation is being determined.

B. For purposes of evaluating the need for any changes to the foregoing list, Locational Deliverability Areas shall be those areas, identified by the load deliverability analyses conducted pursuant to the Regional Transmission Expansion Planning Protocol and the PJM Manuals that have a limited ability to import capacity due to physical limitations of the transmission system, voltage limitations or stability limitations. Such limits on import capability shall not reflect the effect of Qualifying Transmission Upgrades offered in the Base Residual Auction. The Locational Deliverability Areas identified in Paragraph A above (as it may be amended from time to time) for a Delivery Year shall be modeled in the Base Residual Auction and any Incremental Auction conducted for such Delivery Year. If the Office of the Interconnection includes a new Locational Deliverability Area in the Regional Transmission Expansion Planning Protocol, it shall make a filing with FERC to amend this Schedule to add a new Locational Deliverability Area (including a new aggregate LDA), if such new Locational Deliverability Area is projected to have a CETL less than 1.15 times the CETO of such area, or if warranted by other reliability concerns consistent with the Reliability Principles and Standards. In addition, any Party may propose, and the Office of the Interconnection shall evaluate, consistent with the same CETO/CETO comparison or other reliability concerns, possible new Locational Deliverability Areas (including aggregate LDAs) for inclusion under the Regional Transmission Expansion Planning Protocol and for purposes of determining locational capacity obligations hereunder.

C. For each Locational Deliverability Area for which a separate VRR Curve was established for a Delivery Year, the Office of the Interconnection shall determine, pursuant to procedures set forth in the PJM Manuals, the Percentage of Internal Resources Required, that must be committed during such Delivery Year from Capacity Resources physically located in such Locational Deliverability Area.

SCHEDULE 12

DATA SUBMISSION CHARGES

A. Data Submission Charge

For each working day of delay in the submittal of information required to be submitted under this Agreement, a data submission charge of $500 shall be imposed.

B. Distribution Of Data Submission Charge Receipts

1. Each Party that has satisfied its obligations for data submittals pursuant to RAA, Schedule 11 during a Delivery Year, without incurring a data submission charge related to that obligation, shall share in any data submission charges paid by any other Party that has failed to satisfy said obligation during such Planning Period. Such shares shall be in proportion to the sum of the Unforced Capacity Obligations of each such Party entitled to share in the data submission charges for the most recent month.

2. In the event all of the Parties have incurred a data submission charge during a Delivery Year, those data submission charges shall be distributed as approved by the PJM Board.

SCHEDULE 16

Non-Retail Behind the Meter Generation
Maximum Generation Emergency Obligations

1. A Non-Retail Behind The Meter Generation resource that has output that is netted from the Daily Unforced Capacity Obligation of a Party pursuant to RAA, Schedule 7 ~~of this Agreement~~ shall be required to operate at its full output during the first ten times between November 1 and October 31 that Maximum Generation Emergency conditions occur in the zone in which the Non-Retail Behind The Meter Generation resource is located.

2. The Party for which Non-Retail Behind The Meter Generation output is netted from its Daily Unforced Capacity Obligation shall be required to report to PJM scheduled outages of the resource prior to the occurrence of such outage in accordance with the time requirements and procedures set forth in the PJM Manuals. Such Party also shall report to PJM the output of the Non-Retail Behind The Meter Generation resource during each Maximum Generation Emergency condition in which the resource is required to operate in accordance with the procedures set forth in PJM Manuals.

3. Except for failures to operate due to scheduled outages during the months of October through May, for each instance a Non-Retail Behind The Meter Generation resource fails to operate, in whole or in part, as required in paragraph 1 above, the amount of operating Non-Retail Behind The Meter Generation from such resource that is eligible for netting will be reduced pursuant to the following formula:

$$\text{Adjusted ENRBTMG} = \text{ENRBTMG} - \sum (10\% \text{ of the Not Run NRBTMG})$$

Where:

ENRBTMG equals the operating Non-Retail Behind The Meter Generation eligible for netting as determined pursuant to RAA, Schedule 7 ~~of this Agreement~~.

Not Run NRBTMG is the amount in megawatts that the Non-Retail Behind The Meter Generation resource failed to produce during an occurrence of Maximum Generation Emergency conditions in which the resource was required to operate.

$\sum$ (10% of the Not Run NRBTMG) is the summation of 10% megawatt reductions associated with the events of non-performance.

The Adjusted ENRBTMG shall not be less than zero and shall be applicable for the succeeding Planning Period.

4. If a Non-Retail Behind The Meter Generation resource that is required to operate during a Maximum Generation Emergency condition is an Energy Resource and injects energy into the Transmission System during the Maximum Generation Emergency condition, the Network

Customer that owns the resource shall be compensated for such injected energy in accordance with the PJM market rules.