

**RIDER CPP-COMPETITIVE PROCUREMENT PROCESS**

**ORGANIZATION OF RIDER CPP**

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**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

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**APPLICABILITY**

Rider CPP – Competitive Procurement Process (Rider CPP) is applicable to any Company tariff that (1) obligates the Company to procure for and provide to retail customers full requirements electric supply on a bundled or unbundled basis, and (2) refers to this rider or any portion of this rider, or any data calculated or otherwise derived under or in accordance with this rider. Notwithstanding the previous sentence, no retail tariff charge computed in accordance with the provisions of this rider will be applied for service provided prior to January 2, 2007.

**PURPOSE**

Rider CPP describes a competitive procurement process which employs annual auctions conducted by an independent auction manager in which registered bidders vie for the obligation to provide full requirements electric supply in amounts sufficient to serve percentage shares of the Company's retail full requirements electric supply requirements for specified, varying durations. Through the implementation of this competitive procurement process, the Company and suppliers enter into wholesale contracts that contain the terms, conditions, and prices under which the Company procures full requirements electric supply from such suppliers. Rider CPP defines criteria that such process must meet in order for such contract terms and prices to be used as provided in this rider and also includes computations that provide for seasonal differentiation in the payments to suppliers provided for in such contracts. Rider CPP provides for appropriate determination, on a periodic basis and in a transparent manner, of the market value of electric power and energy as a function of market traded contracts that meet the requirements herein. These contracts also establish the Company's costs of procurement under this tariff. Rider CPP establishes the methodologies by which such market values, which are equivalent to the Company's costs of such procurement, are translated into seasonal and peak and off-peak values, as applicable, for use in calculating individual supply-related charges in the Company's retail tariffs to which this rider is applicable. Such methodologies take into account relevant characteristics of retail customers in the Company's service territory and are described through formulae provided herein. Rider CPP provides mechanisms to ensure the Company does not over or under recover such procurement costs due to changes in customer usage and demand patterns and during temporary employment, in the specified contingencies, of the other specific wholesale market competitive procurement processes provided for herein.

**DEFINITIONS**

**GENERAL DEFINITIONS.**

The following definitions are provided in addition to those contained in the Definitions section of the Terms and Conditions of the Company's Schedule of Rates.

**ComEd Zone**

ComEd Zone means the PJM Interconnection L.L.C. (PJM) defined load zone for the Company.

**CPP**

CPP means Competitive Procurement Process.

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**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 245)

**DEFINITIONS (CONTINUED)**

**GENERAL DEFINITIONS (CONTINUED).**

**CPT**

CPT means Central Prevailing Time, which is Central Standard Time or Central Daylight Savings Time, as applicable.

**Customer Supply Group**

Customer supply group means the designation used to determine the customer load attributable to each of the auctions and auction segments described in this rider and compute charges for full requirements electric supply applicable to retail customers.

**End of Business**

End of business means 5:00 P.M. CPT.

**FERC**

FERC means Federal Energy Regulatory Commission or any successor federal agency, commission, or department.

**Full Requirements Electric Supply**

Full requirements electric supply means all the component services the Company requires to meet retail customer instantaneous electric power and energy requirements at any given time under the Company's tariffs, applicable tariffs on file with the Federal Energy Regulatory Commission (FERC), and other applicable law. Such components include, without limitation, all required electric energy, including energy required to satisfy losses, electric generation capacity, and volumetric risk management. Providing or supplying full requirements electric supply to the Company also includes the responsibility to arrange for, acquire, and pay for those transmission services and ancillary transmission services specified in the applicable Supplier Forward Contract (SFC), in each case in accordance with the SFC and the applicable tariffs on file with the FERC.

**kW**

kW means kilowatt. kW is a unit measurement of the demand for electricity or rate at which electricity is used.

**kWh**

kWh means kilowatt-hour. kWh is a unit measurement of the amount of electricity used.

**MW**

MW means megawatt and equals 1,000 kW. MW is a unit measurement of the demand for electricity or rate at which electricity is used.

**MWh**

MWh means megawatt-hour and equals 1,000 kWh. MWh is a unit measurement of the amount of electricity used.

**NERC**

NERC means North American Electric Reliability Council.

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**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

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**DEFINITIONS (CONTINUED)**

**GENERAL DEFINITIONS (CONTINUED).**

**Nonsummer Period**

Nonsummer Period means the January, February, March, April, May, October, November, and December monthly billing periods.

**Off-Peak Period**

Off-Peak Period means all hours other than those included in the Peak Period.

**Peak Period**

Peak Period means the hours from 6 A.M. until 10 P.M. Central Prevailing Time (CPT), Monday through Friday except on days designated as holidays by the North American Electric Reliability Council (NERC).

**PJM**

PJM means PJM Interconnection L.L.C.

**PJM Planning Year**

PJM Planning Year means the period of time extending from 11:00 P.M. CPT on May 31 of one year to 11:00 P.M. CPT on May 31 of the following year.

**Retail Aggregate Load**

Retail Aggregate Load means the electric power and energy delivered by the Company to its retail customers, including losses on the distribution and transmission systems located in the Company's service territory.

**Retail Aggregate Load – Annual**

Retail Aggregate Load – Annual means the portion of the Retail Aggregate Load attributable to retail customers in the Very Large Load Customer Group as described in the Customer Supply Group Definitions section of this Definitions part.

**Retail Aggregate Load – Blended**

Retail Aggregate Load – Blended means the portion of the Retail Aggregate Load attributable to retail customers in the following seven (7) customer supply groups as described in the Customer Supply Group Definitions section of this Definitions part:

- Residential Customer Group
- Watt-Hour Customer Group
- Small Load Customer Group
- Medium Load Customer Group
- Large Load Customer Group
- Dusk to Dawn Lighting Customer Group
- General Lighting Customer Group

**Retail Aggregate Load – Hourly**

Retail Aggregate Load – Hourly means the portion of the Retail Aggregate Load attributable to retail customers in the Self-Generating Customer Group and retail customers in the Competitively Declared Customer Group as described in the Customer Supply Group Definitions section of this Definitions part.

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**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 247)

**DEFINITIONS (CONTINUED)**

**GENERAL DEFINITIONS (CONTINUED).**

**SFC**

SFC means Supplier Forward Contract which is a standard contract form pursuant to which the Company enters into binding wholesale contracts for the procurement of full requirements electric supply from suppliers as described in this rider.

**Staff**

Staff means the Staff of the Illinois Commerce Commission (ICC).

**Summer Period**

Summer Period means the June, July, August, and September monthly billing periods.

**Tranche**

Tranche means a percentage share of the Company's retail load reflected separately in each of the CPP Auction - Blended Segment, the CPP Auction - Annual Segment, or the CPP-H Auction. The nominal size of a tranche is 100 MW.

**CUSTOMER SUPPLY GROUP DEFINITIONS.**

Customer supply groups are designations for retail customers located in the Company's service territory so that retail customers can be categorized for the purposes of assigning customer load to the applicable auctions and auction segments and for the purposes of computing charges for full requirements electric supply applicable to retail customers. The following ten (10) customer supply groups are defined for such purposes:

**Residential Customer Group** means the customer group applicable to any retail customer using electric service for residential purposes. The load of this group is reflected in the CPP Auction – Blended Segment.

**Watt-Hour Customer Group** means the customer group applicable to any nonresidential customer for which only watt-hour metering is provided. Generally, a customer in this group uses less than 2,000 kWh in a monthly billing period. The load of this group is reflected in the CPP Auction - Blended Segment.

**Small Load Customer Group** means the customer group applicable to any nonresidential customer for which (a) the Self-Generating Customer Group is not applicable, (b) demand metering is provided, and (c) the highest 30-minute demand did not exceed 100 kW in the most recent twelve (12) consecutive monthly billing periods extending through the monthly billing period ending no later than seven (7) months prior to the earliest possible Auction Commencement Date, as described in the CPP Timeline section of the Competitive Procurement Process part of this rider. The load of this group is reflected in the CPP Auction – Blended Segment.

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**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 248)

**DEFINITIONS (CONTINUED)**

**CUSTOMER SUPPLY GROUP DEFINITIONS (CONTINUED).**

**Medium Load Customer Group** means the customer group applicable to any nonresidential customer for which (a) the Self-Generating Customer Group is not applicable, (b) demand metering is provided, and (c) the highest 30-minute demand was more than 100 kW but did not exceed 400 kW in the most recent twelve (12) consecutive monthly billing periods extending through the monthly billing period ending no later than seven (7) months prior to the earliest possible Auction Commencement Date, as described in the CPP Timeline section of the Competitive Procurement Process part of this rider. The load of this group is reflected in the CPP Auction – Blended Segment.

**Large Load Customer Group** means the customer group applicable to any nonresidential customer for which (a) the Self-Generating Customer Group is not applicable, (b) demand metering is provided, and (c) the highest 30-minute demand was more than 400 kW but did not exceed 1,000 kW in the most recent twelve (12) consecutive monthly billing periods extending through the monthly billing period ending no later than seven (7) months prior to the earliest possible Auction Commencement Date, as described in the CPP Timeline section of the Competitive Procurement Process part of this rider. The load of this group is reflected in the CPP Auction – Blended Segment.

**Very Large Load Customer Group** means the customer group applicable to any nonresidential customer for which (a) the Self-Generating Customer Group is not applicable, (b) the Competitively Declared Customer Group is not applicable, (c) demand metering is provided, and (d) the highest 30-minute demand was more than 1,000 kW in the most recent twelve (12) consecutive monthly billing periods extending through the monthly billing period ending no later than seven (7) months prior to the earliest possible Auction Commencement Date, as described in the CPP Timeline section of the Competitive Procurement Process part of this rider. The load of this group is reflected in the CPP Auction – Annual Segment.

**Self-Generating Customer Group** means the customer group applicable to any nonresidential retail customer that (a) owns, operates, and/or is entitled to the output from electric generating facilities located at such customer's premises, and (b) such generating facilities (1) have a generation capacity of 100 kW or more, and (2) are used for any purpose other than emergency purposes during such times when electric service from the Company is interrupted. The load of this group is reflected in the CPP-H Auction.

**Competitively Declared Customer Group** means the customer group applicable to any retail customer for which electric service has been declared competitive and for which any phase-out period of such competitively declared service has expired. The load of this group is reflected in the CPP-H Auction.

**Dusk to Dawn Lighting Customer Group** means the customer group applicable to any retail customer using electric service for street or private outdoor lighting that operates on a dusk to dawn basis. The load of this group is reflected in the CPP Auction – Blended Segment.

**General Lighting Customer Group** means the customer group applicable to any retail customer using electric service for street lighting or traffic signals other than lighting that operates on a dusk to dawn basis. The load of this group is reflected in the CPP Auction – Blended Segment.

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**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 249)

**COMPETITIVE PROCUREMENT PROCESS**

**OVERVIEW.**

Beginning January 1, 2007, for retail customers for which the Company procures full requirements electric supply, the Company will procure such supply in accordance with a competitive process. Such process, the Competitive Procurement Process (CPP), is described herein. The CPP employs auctions through which equitable, market-based pricing for full requirements electric supply is determined in a transparent forum.

**GENERAL PROCESS.**

The CPP utilizes multiple-round, descending clock auctions. In a multiple-round descending clock auction, an initial supply price is proposed for each auction product. If excess supply is offered at such initial price for an auction product, a subsequent price at a specified decrementally reduced level is proposed for this auction product in the next round. As long as excess supply is offered for any auction product, another round is conducted. This iterative process continues until the price can no longer be decrementally reduced for any auction product and no bidder can change its bid.

The CPP employs two (2) multiple-round, descending clock auctions that are conducted at the same time each year. These auctions are the CPP Auction and the CPP-H Auction. In the CPP Auction, registered bidders vie for the obligation to provide full requirements electric supply to the Company in amounts sufficient to serve percentage shares of the Company's supply obligation related to the Retail Aggregate Load – Blended and Retail Aggregate Load – Annual for specified, varying durations. The prices in the CPP Auction represent unit, around-the-clock MWh prices. In the CPP-H Auction, registered bidders vie for the obligation to provide full requirements electric supply to the Company in amounts sufficient to serve percentage shares of the Company's supply obligation related to the Retail Aggregate Load – Hourly for a specified duration. The prices in the CPP-H Auction represent unit MW-Day prices, with the understanding that, in addition to such unit MW-Day prices, pricing for energy will be based on the PJM real-time, locational marginal prices for the ComEd Zone.

The aforementioned percentage shares are defined in this rider as tranches. In any auction, a single bidder cannot bid for or win the obligation to provide full requirements electric supply for more than fifty percent (50%) of the tranches included in such auction.

Numerous entities participate in the CPP. The Company procures full requirements electric supply for retail customers from suppliers in accordance with the terms of SFCs to which the Company and the suppliers are bound. Before an entity can become a supplier, it must comply with certain qualification requirements through which it obtains the right to bid for, and opportunity to win, the obligation to provide full requirements electric supply to the Company in the aforementioned multiple-round, descending clock auctions. The auctions are planned, coordinated, and conducted by an independent auction manager under contract with the Company. In addition, the ICC selects an advisor to monitor the auctions. The Company determines retail charges for full requirements electric supply based upon the results of the auctions using formulae provided in the Translation to Retail Charges part of this rider and provides such charges to the ICC in the form of an informational filing. In addition, the Company determines Accuracy Assurance Factors each month using the formulae provided in the Accuracy Assurance Mechanisms part of this rider and provides such factors to the ICC in the form of an informational filing each month.

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**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 250)

**COMPETITIVE PROCUREMENT PROCESS (CONTINUED)**

**GENERAL PROCESS (CONTINUED).**

The CPP includes events and activities that occur over the course of several months prior to the commencement of the auctions, during the administration of the auctions, and after the completion of the auctions. Such events and activities follow a recognized timeline and occur in accordance with documented procedures and rules.

**CPP Auction - Blended Segment**

The CPP Auction includes a segment that addresses the procurement by the Company of full requirements electric supply for the Company's supply obligation related to the Retail Aggregate Load - Blended portion of the Retail Aggregate Load. This segment, the CPP Auction - Blended Segment, includes auction products with specific durations as described by the chart included in this CPP Auction - Blended Segment subsection.

Through a phase-in process, the Company will ultimately procure such full requirements electric supply through a total of nine (9) auction products consisting of: five (5) staggered auction products, each with a duration of five (5) years and each reflecting 5% of the Retail Aggregate Load - Blended; three (3) staggered auction products, each with a duration of three (3) years and each reflecting 20% of the Retail Aggregate Load - Blended; and one (1) auction product with a duration of one (1) year reflecting 15% of the Retail Aggregate Load - Blended. The duration of each such product extends from 11:00 P.M. CPT on May 31 of the year in which the CPP Auction is conducted for such product to 11:00 P.M. CPT on May 31 of the year corresponding to the end of its five (5) year, three (3) year, or one (1) year duration, as applicable. Notwithstanding the previous provisions of this CPP Auction - Blended Segment subsection, for the initial CPP Auction, each auction product will have a duration that begins January 1, 2007, and extends to 11:00 P.M. CPT on the May 31 corresponding to the end of its sixty-five (65) month, fifty-three (53) month, forty-one (41) month, twenty-nine (29) month, or seventeen (17) month duration, as applicable. A single final clearing price expressed in dollars and cents per MWh (\$XX.XX/MWh) is determined for all the tranches included in an individual auction product. The actual full requirements electric supply the Company procures in accordance with the provisions of this CPP Auction - Blended Segment subsection is subject to the provisions of the Retail Customer Switching Rules part of this rider.

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**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 251)

**COMPETITIVE PROCUREMENT PROCESS (CONTINUED)**

**GENERAL PROCESS (CONTINUED).  
CPP Auction - Blended Segment (Continued)**

Percent Retail Aggregate Load Blended	<b>CPP Auction Products - Blended Segment</b>												
25%	5%	65 mo				5 yr				5 yr >>			
	5%	53 mo				5 yr				5 yr >>			
	5%	41 mo			5 yr				5 yr >>				
	5%	29 mo		5 yr				5 yr					
	5%	17 mo	5 yr				5 yr				5yr >		
60%	20%	41 mo			3 yr			3 yr			3 yr		
	20%	29 mo		3 yr			3 yr			3 yr			3yr >
	20%	17 mo	3 yr			3 yr			3 yr			3 yr >>	
15%	15%	17 mo	1yr	1yr	1yr	1yr							
PJM Planning Yr													
Calendar Yr													

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**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 252)

**COMPETITIVE PROCUREMENT PROCESS (CONTINUED)**

**GENERAL PROCESS (CONTINUED).**

**CPP Auction - Annual Segment**

The CPP Auction includes a segment that addresses the procurement by the Company of full requirements electric supply for the Company's supply obligation related to the Retail Aggregate Load - Annual portion of the Retail Aggregate Load. This segment, the CPP Auction - Annual Segment, includes a single auction product with a one (1) year duration, extending from 11:00 P.M. CPT on May 31 of the year in which such CPP Auction is conducted to 11:00 P.M. CPT on May 31 of the following year. Notwithstanding the previous provisions of this CPP Auction - Annual Segment subsection, for the initial CPP Auction, such single auction product will have a duration that extends from January 1, 2007 to 11:00 P.M. CPT on May 31, 2008. The auction prices represent unit around-the-clock MWh prices. A single final clearing price expressed in dollars and cents per MWh (\$XX.XX/MWh) is determined for all the tranches included in this single auction product. The actual full requirements electric supply the Company procures in accordance with the provisions of this CPP Auction - Annual Segment subsection is subject to the provisions of the Retail Customer Switching Rules part of this rider.

**CPP-H Auction**

The CPP includes an auction that addresses the procurement by the Company of full requirements electric supply for the Company's supply obligation related to the Retail Aggregate Load - Hourly portion of the Retail Aggregate Load. This auction is designated as the CPP-H Auction. This CPP-H Auction includes a single auction product with a one (1) year duration, extending from 11:00 P.M. CPT on May 31 of the year in which such CPP-H Auction is conducted to 11:00 P.M. CPT on May 31 of the following year. Notwithstanding the previous provisions of this CPP-H Auction subsection, for the initial CPP-H Auction, such single auction product will have a duration that extends from January 1, 2007 to 11:00 P.M. CPT on May 31, 2008. The auction prices represent unit MW-Day prices. A single final clearing price expressed in dollars and cents per MW-Day (\$XX.XX/MW-Day) is determined for all the tranches in this single CPP-H Auction product. The actual full requirements electric supply the Company procures in accordance with the provisions of this paragraph is subject to the provisions of the Retail Customer Switching Rules part of this rider.

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**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 253)

**COMPETITIVE PROCUREMENT PROCESS (CONTINUED)**

**GENERAL PROCESS (CONTINUED).**

**CPP-H Auction (Continued)**

Notwithstanding the previous provisions of this CPP-H Auction subsection, the Company will procure full requirements electric supply for the Company's supply obligation related to the Retail Aggregate Load - Hourly portion of the Retail Aggregate Load directly from PJM-administered markets and the CPP-H Auction will not be conducted in the event that (a) on or before five (5) months prior to the earliest possible Auction Commencement Date, as described in the CPP Timeline subsection of this Competitive Procurement Process part, (1) the FERC has accepted for filing a PJM tariff implementing the proposed Reliability Pricing Model or a successor thereto (RPM Tariff) that permits the Company to purchase electric capacity directly from a PJM-administered market, (2) the FERC has assigned an effective date to such RPM Tariff and such effective date has passed, and (3) a capacity market authorized by such RPM Tariff is in operation and is available for use by the Company, and (b) such RPM tariff provides for the continued operation and availability of such capacity market throughout the period for which the Company requires such full requirements electric supply. In such event wherein the Company procures such full requirements electric supply in such direct manner and the CPP-H Auction is not conducted, the provisions in this Competitive Procurement Process part pertaining to the CPP-H Auction will not be effective. Subject to the conditions described in the aforementioned Item (a) and Item (b) both being satisfied, the commencement of such procurement in such direct manner will occur upon the expiration of the SFCs related to the most recent successful CPP-H Auction, with the exception that if the Auction Commencement Date identified in the aforementioned Item (a) occurs in the year 2006, the commencement of such procurement in such direct manner will occur on January 1, 2007. The actual full requirements electric supply the Company procures in accordance with the provisions of this paragraph is subject to the provisions of the Retail Customer Switching Rules part of this rider.

**CPP PARTICIPANTS.**

**Auction Advisor**

The ICC selects a qualified, independent Auction Advisor. The Auction Advisor is not affiliated with any prospective bidder, the Company, or the Auction Manager. The Auction Advisor provides expert advice to the ICC and Staff regarding issues related to auction design, rules, and processes, as well as related policy matters. The Auction Advisor acts as an independent monitor of the CPP Auction and the CPP-H Auction. In such capacity, the Auction Advisor provides observations and recommendations to the ICC and Staff and feedback and suggestions to the Auction Manager, as described in the Auction Manager subsection of this CPP Participants section, in order to contribute to the success of the auction process. Such feedback and suggestions may be made at any time during the CPP. The Auction Advisor submits a confidential report to the ICC by the end of the business day following the Auction Completion Date. In addition, the Auction Advisor issues a public report in a timely manner in accordance with the provisions of the CPP Timeline section of this Competitive Procurement Process part. Such reports are described in the Confidential Report of the Auction Advisor to the ICC subsection and the Public Report of the Auction Advisor subsection, respectively, of the CPP Documents section of this Competitive Procurement Process part. The Auction Advisor is bound by the confidentiality obligations applicable to Staff under Section 4-404 and Section 5-108 of the Public Utilities Act (Act).

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**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 254)

**COMPETITIVE PROCUREMENT PROCESS (CONTINUED)**

**CPP PARTICIPANTS (CONTINUED).**

**Auction Manager**

A qualified, independent Auction Manager oversees the CPP, including the CPP Auction and the CPP-H Auction. The Auction Manager is selected and reimbursed by the Company. The Auction Manager's responsibilities include, but are not limited to, the following activities:

1. Plan, coordinate, and conduct bidder information sessions, as necessary;
2. Receive bidder applications for qualification and notify applicable entities of the results of the qualification procedure;
3. Receive and review other information required of bidders before, during, and after the qualification process, as applicable;
4. Resolve issues regarding bidder associations in coordination with the Auction Advisor;
5. Determine and notify bidders of their qualification status throughout the CPP process;
6. Develop and test bidding procedures to ensure compliance with CPP rules;
7. Provide training and technical assistance to bidders with respect to applicable CPP rules, bidding procedures, and communication protocols;
8. Plan, coordinate and conduct the CPP Auction and the CPP-H Auction in accordance with CPP procedures and rules, including, but not limited to, bidding administration and evaluation;
9. Manage the CPP Auction and CPP-H Auction during the course of such auctions to ensure that applicable parameters are set appropriately, including, but not limited to, lengths of rounds and decrements;
10. Receive and utilize, as applicable, feedback and suggestions from the Auction Advisor in order to contribute to the success of the auction process;
11. Announce the completion of the CPP Auction and the CPP-H Auction in accordance with CPP rules and procedures;
12. Review the CPP Auction and the CPP-H Auction immediately following the Auction Completion Date, and submit a confidential report to the ICC by the end of the business day following the Auction Completion Date. Such report is described in the Confidential Report of the Auction Manager to the ICC subsection of the CPP Documents section of this Competitive Procurement Process part;

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**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 255)

**COMPETITIVE PROCUREMENT PROCESS (CONTINUED)**

**CPP PARTICIPANTS (CONTINUED).**

**Auction Manager (Continued)**

13. Make a Declaration of a Successful Auction for the CPP Auction and the CPP-H Auction in the event that the ICC takes no formal action by the end of the third business day following the Auction Completion Date, or subsequently by the end of the third business day following the Auction Completion Date of a repeated auction, as provided for in the CPP Timeline section of the Competitive Procurement Process part of this rider, if such repeated auction is conducted; and
14. Prepare the Public Report of the Auction Manager. Such report is described in the Public Report of the Auction Manager subsection of the CPP Documents section of this Competitive Procurement Process part. Such report is issued in accordance with the provisions of the CPP Timeline section of this Competitive Procurement Process part.

**Bidders and Suppliers**

The full requirements electric supply that the Company procures for retail customers is procured by the Company from suppliers under the terms of SFCs, which are described in the Supplier Forward Contract subsection of the CPP Documents section of this Competitive Procurement Process part. In order for an entity to become a supplier from which the Company procures such full requirements electric supply, it must follow a specific qualification process and comply with all requirements of the CPP, in addition to winning the obligation to provide such full requirements electric supply through the auction process conducted in accordance with CPP rules and procedures.

At the onset of the qualification process, an entity interested in providing full requirements electric supply to the Company for its retail customers is designated as a prospective bidder. A prospective bidder is responsible for obtaining any necessary information it requires in order to proceed to the second phase of the qualification process. A prospective bidder must timely submit to the Auction Manager a completed and signed Part 1 Application Form, which is described in the Part 1 Application Form subsection of the CPP Documents section of this Competitive Procurement Process part.

The Auction Manager determines which prospective bidders that submitted Part 1 Application Forms are qualified to proceed to the next phase of the qualification process under the applicable criteria. Such bidders are designated as qualified bidders. The Auction Manager provides a confidential document with a list naming all qualified bidders to each qualified bidder. In order to proceed to the next phase of the qualification process, a qualified bidder must complete, sign, and timely submit to the Auction Manager a Part 2 Application Form, which is described in the Part 2 Application Form subsection of the CPP Documents section of this Competitive Procurement Process part. Along with the submission of the completed and signed Part 2 Application Form, each qualified bidder is required to submit an indicative bid offer and a proportionate financial guarantee, as described in the applicable Auction Manual, and additional security as needed. Moreover, each qualified bidder must enter into additional confidentiality obligations.

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**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 256)

**COMPETITIVE PROCUREMENT PROCESS (CONTINUED)**

**CPP PARTICIPANTS (CONTINUED).**

**Bidders and Suppliers (Continued)**

The Auction Manager determines which qualified bidders that submitted Part 2 Application Forms are eligible to proceed to the next phase of the qualification process under the applicable criteria. Finally, in order to participate in the auctions, each such bidder must (1) be a member in good standing of PJM or become a member prior to when the Company begins to procure full requirements electric supply in accordance with the executed SFCs; and (2) pay a nonrefundable Bid Participation Fee. Qualified bidders that meet these final qualifications are designated as registered bidders. The Auction Manager provides a confidential document with a list naming all registered bidders to each registered bidder.

Registered bidders vie during the course of the auctions to win the right and obligation to provide full requirements electric supply to the Company for its retail customers for which the Company is procuring such full requirements electric supply. Those registered bidders that win such obligation are designated as winning bidders. Each winning bidder is required to sign the applicable SFC in a timely fashion in accordance with the provisions of the CPP Timeline section of this Competitive Procurement Process part. Also in such timely fashion, each winning bidder must demonstrate to the Company and the Auction Manager such winning bidder's compliance with the applicable creditworthiness requirements that are described in the SFC and the Credit Requirement Provisions of the SFC clause of the Supplier Forward Contract subsection of the CPP Documents section of this Competitive Procurement Process part.

**CPP DOCUMENTS.**

**Auction Manual**

The Company, in coordination with the Auction Manager, develops one or more Auction Manuals applicable to each auction. Each such Auction Manual is provided to Staff for informational purposes and made available to the public, including prospective bidders, in accordance with the provisions of the CPP Timeline section of this Competitive Procurement Process part. Each Auction Manual provides operational details of the individual auction to which it is applicable that are consistent with the terms and conditions set forth in this rider.

**Confidential Report Of The Auction Advisor To The ICC**

The Auction Advisor submits a formal report to the ICC by the end of the business day following the Auction Completion Date. Such report provides an independent assessment to the ICC as to whether or not the CPP Auction and the CPP-H Auction were conducted fairly and appropriately and all necessary actions to ensure the competitiveness and integrity of such auctions were followed. The report also details any issues or concerns identified by the Auction Advisor and any recommendations the Auction Advisor has regarding further action by the ICC.

**Confidential Report Of The Auction Manager To The ICC**

The Auction Manager submits a formal report to the ICC by the end of the business day following the Auction Completion Date. Such report provides a factual summary of the activities and events that occurred during the course of the CPP Auction and the CPP-H Auction. It also provides the Auction Manager's confirmation, under oath, that such confidential report is an accurate summary of the CPP Auction and CPP-H Auction as they were conducted and an accurate assessment of whether such auctions were conducted fairly and appropriately in accordance with the CPP rules and procedures.

(Continued on Sheet No. 258)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 257)

**COMPETITIVE PROCUREMENT PROCESS (CONTINUED)**

**CPP DOCUMENTS (CONTINUED).**

**Part 1 Application Form**

The Part 1 Application Form is a document that must be completed, signed, and timely submitted by a prospective bidder to the Auction Manager in order for such prospective bidder to be considered for further participation in the CPP. The Part 1 Application Form is available from the Auction Manager and on a publicly accessible web site. The Part 1 Application Form contains provisions that oblige the prospective bidder to meet initial creditworthiness requirements and comply with all CPP rules. In completing its Part 1 Application Form, a prospective bidder must disclose any bidding agreement or arrangement in which such bidder may have entered. Specifically, the prospective bidder must explicitly name in its Part 1 Application Form the entities with which the bidder has entered into a bidding agreement, joint venture for the purpose of participating in the auction for which it is applying, or bidding consortium or any other arrangement pertaining to participating in such auction. Moreover, the prospective bidder must certify that if it becomes a qualified bidder, it will not disclose information regarding the list of qualified bidders, including the number of qualified bidders, the identity of any or all qualified bidders, or the fact that an entity has not been qualified for further participation in the CPP. The prospective bidder must certify that it will destroy any document that lists the qualified bidders in a timely manner consistent with the provisions of the CPP Timeline section of this Competitive Procurement Process part. The Part 1 Application Form also includes provisions that require the prospective bidder to affirm that, in the event it becomes a winning bidder at the completion of the auction process, as described in this Competitive Procurement Process part, it will timely sign the applicable SFC and timely comply with the creditworthiness requirements contained in such SFC.

**Part 2 Application Form**

The Part 2 Application Form is a document that must be completed, signed, and timely submitted by a qualified bidder to the Auction Manager in order for such qualified bidder to be considered for further participation in the CPP. The Part 2 Application Form is available from the Auction Manager and on a publicly accessible web site. The Part 2 Application Form contains provisions that oblige the qualified bidder to meet certain additional creditworthiness requirements and comply with all CPP rules. The Part 2 Application Form includes provisions that require the qualified bidder to certify that it will not disclose any confidential information it obtains related to the CPP to any entity except its advisors and bidders with which it is associated. Such qualified bidder must also certify that if it becomes a registered bidder, it will not disclose information regarding the list of registered bidders, including the number of registered bidders, the identity of any or all registered bidders, or the fact that an entity has not been qualified for further participation in the CPP. The qualified bidder must certify that it will destroy any and all documents containing confidential information pertaining to the auction in which it is participating in a timely manner consistent with the provisions of the CPP Timeline section of this Competitive Procurement Process part.

The Part 2 Application Form includes provisions that require the qualified bidder to make a number of certifications with respect to its associations to ensure that bidders are acting independently from each other and any other entity participating in the same auction. These certifications are as follows:

1. The qualified bidder must certify that it is not associated with any other qualified bidder participating in the same auction, or if it is unable to make such certification, it must identify any and all qualified bidders with which it is associated along with a description of the nature of any and all such associations;

(Continued on Sheet No. 259)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 258)

**COMPETITIVE PROCUREMENT PROCESS (CONTINUED)**

**CPP DOCUMENTS (CONTINUED).**

**Part 2 Application Form (Continued)**

2. The qualified bidder must certify that it has not entered into any agreement with any other qualified bidder participating in the same auction regarding bidding during such auction including but not limited to, the amount to bid at certain prices; the auction segment or auction product for which bids are placed; when or at what prices bids are withdrawn or switched; or the amount of exit prices, as described in the applicable Auction Manual. This certification provides an exception with respect to bidders that the qualified bidder explicitly named in its Part 1 Application Form as entities with which the bidder has entered into a bidding agreement, joint venture for the purpose of participating in the auction, or bidding consortium or any other arrangement pertaining to participating in the auction. If the qualified bidder is unable to make such certification, it must identify the bidders and the nature of the association;
3. The qualified bidder must certify that any entity that will be advising or assisting the bidder with respect to bidding strategy in the auction, estimation of the value of any tranche, or estimation of the risks associated with providing full requirements electric supply for any tranche will (a) not provide any similar advice or assistance to any other qualified bidder participating in the same auction; or (b) if such entity will provide similar advice or assistance to any such other qualified bidder, or if such entity will have access to confidential information relevant to any such other qualified bidder's bidding strategy, ensure that appropriate protections have been put into place so that such entity does not serve as a conduit of information between bidders, or as a coordinator of the bidding strategies of multiple bidders. If the qualified bidder is unable to make such certification, it must identify the advising entity and any other bidders involved;
4. The qualified bidder must certify that it is not a party to any contract for the provision of full requirements electric supply, or any component of such supply, that might be used to serve any portion of the Retail Aggregate Load related to the auction in which such bidder is participating, and (a) that would require the disclosure of any confidential information relative to bidding strategy or confidential information pertaining to such auction to the counterparty under such contract or to any other entity; or (b) that would provide instructions, direct financial incentives, or other inducements for the qualified bidder to act in a way determined by the counterparty in the agreement or in concert with any other bidder participating in such auction. If the qualified bidder is unable to make such certification, it must disclose the contractual arrangements that prevent the qualified bidder from making the certification. Notwithstanding the previous provisions of this Item 4, the qualified bidder may, during negotiations prior to the Auction Commencement Date regarding contractual arrangements to provide full requirements electric supply, or any component of such supply, to serve any portion of the Retail Aggregate Load related to the auction in which such bidder is participating in the event that the bidder becomes a winning bidder, discuss with the prospective counterparty to such provisions the nature of the full requirements electric supply product or supply product components to be provided, the volume of any such products or components, and the prices at which it is willing to provide such products or components;

(Continued on Sheet No. 260)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 259)

**COMPETITIVE PROCUREMENT PROCESS (CONTINUED)**

**CPP DOCUMENTS (CONTINUED).**

**Part 2 Application Form (Continued)**

5. The qualified bidder must certify that it does not have any knowledge of confidential information that is relevant to the bidding strategy of any other qualified bidder participating in the same auction, or if it is unable to make such certification it must identify any other such qualified bidder and the nature of the confidential information;
6. The qualified bidder must certify that it will not disclose confidential information relative to its bidding strategy except to bidders explicitly named in its Part 1 Application Form as entities with which the bidder has entered into a bidding agreement, joint venture for the purpose of participating in the auction, or bidding consortium or any other arrangement pertaining to participating in the auction; or to bidders with which it is associated as disclosed in its Part 2 Application Form; or to its advisors as described in Item 3 of this Part 2 Application Form subsection; or to its financial institution; and
7. The qualified bidder must certify that, other than bidders explicitly named in its Part 1 Application Form as entities with which the bidder has entered into a bidding agreement, joint venture for the purpose of participating in the auction, or bidding consortium or any other arrangement pertaining to participating in the auction; or bidders with which it is associated as disclosed in its Part 2 Application Form, no entity has agreed to defray any of its costs of participating in the auction, including the cost of preparing bids, the cost of any financial guarantees, the cost to be paid in the event such bidder becomes a winning bidder, or any other participation cost or fee. If the qualified bidder is unable to make such certification, it must identify the entity that has agreed to defray some or all of the qualified bidder's costs of participating in the auction, and the nature of the participation costs that such entity has agreed to defray.

**Process Improvement Report**

The Process Improvement Report is prepared by the convener assigned by Staff to conduct the process improvement workshop sessions and made publicly available no later than sixty (60) calendar days after the Company begins to procure full requirements electric supply in accordance with SFCs executed following the Declaration of a Successful Auction Date, as described in the CPP Timeline section of this Competitive Procurement Process part. This report includes the consensus recommendations obtained during the process improvement workshop sessions by those stakeholders in attendance.

**Public Report Of The Auction Advisor**

The Public Report of the Auction Advisor is made available on the first business day after the Company begins to procure full requirements electric supply in accordance with SFCs executed following the Declaration of a Successful Auction Date, as described in the CPP Timeline section of this Competitive Procurement Process part. This report provides an assessment of the conduct of the CPP Auction and the CPP-H Auction, including a review of the Auction Manager's actions. The report also details any suggestions for improvement identified by the Auction Advisor and any recommendations the Auction Advisor has for future implementation in the CPP. This report is made available to any interested entity and is posted on a publicly accessible web site.

(Continued on Sheet No. 261)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 260)

**COMPETITIVE PROCUREMENT PROCESS (CONTINUED)**

**CPP DOCUMENTS (CONTINUED).**

**Public Report Of The Auction Manager**

The Public Report of the Auction Manager is made available on the first business day after the Company begins to procure full requirements electric supply in accordance with SFCs executed following the Declaration of a Successful Auction Date, as described in the CPP Timeline section of this Competitive Procurement Process part. This report provides a summary of the events and activities that occurred during the course of the CPP, with particular emphasis on how various activities and events affected the overall success of the process. It also includes a list of the winning bidders, number of tranches won, and the final clearing prices for each product. The report also details any suggestions for improvement identified by the Auction Manager and any recommendations the Auction Manager has for future implementation in the CPP. This report is made available to any interested entity and is posted on a publicly accessible web site.

**Retail Supply Charge Informational Filing**

The Retail Supply Charge Informational Filing is a document prepared by the Company and filed for informational purposes with the ICC in a timely manner in accordance with the provisions of the CPP Timeline section of this Competitive Procurement Process part. It provides the retail supply charges by customer supply group with differentiations by season and for time of use, as applicable, computed in accordance with the provisions of the Translation to Retail Charges part of this rider. The charges provided in the document are applicable to retail customers for which the Company procures full requirements electric supply during a period that starts at the beginning of the June monthly billing period following the Declaration of a Successful Auction Date and extends through the end of the following May monthly billing period. Notwithstanding the previous provisions of this paragraph, following the Declaration of a Successful Auction Date for the initial auctions, such charges will be applicable to retail customers for which the Company procures full requirements electric supply during a period that starts January 2, 2007, and extends through the end of the May 2008 monthly billing period.

**Supplier Forward Contract**

SFCs are the contracts that provide the terms and conditions under which the Company procures, from suppliers on a wholesale basis, the full requirements electric supply that it requires for retail customers. SFCs are subject to the jurisdiction of the FERC. The SFCs are consistent with the terms and conditions, including the CPP characteristics, set forth in this rider.

The Company, in coordination with the Auction Manager, develops a separate standard SFC applicable to each auction and each auction segment. Each such SFC is filed with the ICC for informational purposes and made available to the public, including prospective bidders, in accordance with the provisions of the CPP Timeline section of this Competitive Procurement Process part. Each SFC includes provisions regarding the obligations of the Company and the supplier; procedures and rules pertaining to the operational aspects of the provision of full requirements electric supply; credit requirements; payment terms; and details pertaining to the administration of the contract.

(Continued on Sheet No. 262)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 261)

**COMPETITIVE PROCUREMENT PROCESS (CONTINUED)**

**CPP DOCUMENTS (CONTINUED).**

**Supplier Forward Contract (Continued)**

Each SFC obligates the supplier that is bound by such SFC to provide firm, full requirements electric supply, in each hour, and delivered to the Company's electric system as described in such SFC, sufficient to meet a specified percentage share of the full requirements electric supply required by the Company, in each such hour, for retail customers. Suppliers assume all volumetric risk associated with the full requirements electric supply required by the Company to serve such retail customers, including any risk associated with customer switching to or away from any applicable Company tariffed service.

Each SFC has provisions regarding payments to the supplier that is bound by such SFC. The Company makes payments to such supplier. The unit payment price is equal to the applicable final clearing price adjusted for seasonality in accordance with the provisions of the Seasonal Supplier Payment Ratio Computation section in the Translation to Retail Charges part of this rider.

Each SFC has provisions regarding the payment by the supplier to the Company of a Supplier Fee. The Supplier Fee is set at a level such that, when the revenue from such fee is combined with the revenue from the Bid Participation Fee, the total revenue is sufficient to compensate the Company for anticipated third-party expenses associated with the CPP, including the cost of the Auction Manager and the expenses associated with post-auction review by the Auction Advisor. The Supplier Fee includes adjustments, as applicable, to reflect the amount by which any previous accumulated fees provided for over or under recovery of previous auction and associated review expenses, as well as to accommodate any change in current CPP expenses.

**Credit Requirement Provisions Of The SFC**

The SFCs provide for the identification and assessment of financial exposure due to supplier nonperformance in the following manner:

1. SFCs associated with the CPP Auction rely on the practice of marking the contracts to market. Each such SFC includes provisions that impose a daily margining that includes a Mark-to-Market Exposure Amount (MtMEA) on the supplier bound by such SFC. The MtMEA incorporates a daily estimate of the immediate replacement cost of the SFC less any amount due to the supplier for provision of full requirements electric supply.
2. Each SFC associated with the CPP-H Auction imposes a single base exposure amount, the Credit Exposure, to cover credit risks. There is no need for such SFCs to include provisions to impose a daily margining that includes an MtMEA because payments to suppliers bound by such SFCs already fluctuate in accordance with PJM spot market prices.

All credit exposures associated with a single supplier bound by one or more SFCs are aggregated into a single amount, the Total Exposure Amount (TEA). The SFCs are structured so that, if a supplier is bound by multiple SFCs, a default by such supplier with respect to a single SFC triggers a default under all the SFCs to which the supplier is bound.

(Continued on Sheet No. 263)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 262)

**COMPETITIVE PROCUREMENT PROCESS (CONTINUED)**

**CPP DOCUMENTS (CONTINUED).**

**Supplier Forward Contract (Continued)**

**Credit Requirement Provisions Of The SFC (Continued)**

The SFCs generally require collateralization of the TEA, with acceptable collateral being cash or a letter of credit. However, a supplier will be granted an unsecured line of credit by the Company if it undergoes a credit evaluation and meets the Company's minimum credit requirements. Such unsecured line of credit can be applied toward the satisfaction of the TEA, and can reduce the amount of collateral required. Such minimum credit requirements include the maintenance by the supplier of an investment grade rating from the rating agencies identified in the SFC. Additional requirements and considerations are imposed for suppliers that have not been incorporated under the laws of the United States.

In addition to the cash and letter of credit provisions, and as an alternative to the supplier's unsecured line of credit provision in the previous paragraph, a supplier may rely on a financial guaranty from a third party to satisfy a portion of the TEA requirement. In order for such guaranty to be accepted by the Company, the supplier's guarantor must be granted an unsecured line of credit by the Company by undergoing a credit evaluation and meeting the Company's minimum credit requirements. A guaranty will only be accepted in an amount less than or equal to the unsecured line of credit that would otherwise be granted by the Company to the guarantor. The credit standards used to determine an unsecured line of credit for a guarantor are the same standards that apply to a supplier seeking an unsecured line of credit. For situations in which the guarantor is an affiliate of the supplier, only one unsecured line of credit will be determined, using the guarantor's credit rating and subject to the limitations specified in the SFC. Furthermore, the guaranty must be in a form that is acceptable to the Company. A sample guaranty form that is acceptable to the Company is provided in the SFC.

The following specific creditworthiness provisions are applicable in determining a supplier's or its guarantor's eligibility for and continuing qualification for an unsecured line of credit:

1. The requirement included in this Item 1 applies in the event that the supplier or its guarantor is incorporated or otherwise formed under the laws of the United States. If such supplier or its guarantor cannot meet this requirement, such supplier is required to post cash or a letter of credit for the TEA to the Company with respect to such supplier at the time of or prior to the execution of the SFC and at any applicable point in time during the term of the SFC.

For the supplier or its guarantor to be granted an unsecured line of credit, the supplier or its guarantor: (a) must be rated by at least two of the following rating agencies: Standard and Poor's or its successor (S&P), Moody's Investors Service or its successor (Moody's), Fitch IBCA or its successor (Fitch), A.M. Best or its successor (A.M. Best), and (b) must have a minimum senior unsecured debt rating, or if such rating is unavailable, corporate issuer rating discounted by one notch, of at least BBB- from S&P, Baa3 from Moody's, BBB- from Fitch, or bbb from A.M. Best. If the supplier is rated by only two rating agencies, and the ratings are split, the lower rating is used. If the supplier is rated by three or four rating agencies and the ratings are split, the lower of the two highest ratings is used. Notwithstanding the previous provisions of this Item 1, in the event that the two highest ratings are common, such common rating is used.

(Continued on Sheet No. 264)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 263)

**COMPETITIVE PROCUREMENT PROCESS (CONTINUED)**

**CPP DOCUMENTS (CONTINUED).**

**Supplier Forward Contract (Continued)**

**Credit Requirement Provisions Of The SFC (Continued)**

2. The requirement included in this Item 2 applies in the event that the supplier or its guarantor is not incorporated or otherwise formed under the laws of the United States. If such foreign supplier or guarantor cannot meet this requirement, the supplier or guarantor is required to post cash or a letter of credit for the TEA to the Company with respect to such supplier at the time of or prior to the execution of the SFC and at any applicable point in time during the term of the SFC.

The supplier must supply evidence of its or its guarantor's creditworthiness so as to provide the Company with assurances that it or its guarantor meets creditworthiness requirements that are comparable to those described in the immediately preceding Item 1 of this Credit Requirement Provisions of the SFC clause. The Company has sole and absolute discretion, without liability or recourse to the supplier, to evaluate such evidence of creditworthiness submitted by such supplier and to determine the unsecured line of credit, if any, on that basis.

3. The requirement included in this Item 3 applies in the event that the supplier or its guarantor is not incorporated or otherwise formed under the laws of the United States.

Such foreign supplier must submit (a) a legal opinion of independent counsel qualified to practice in the jurisdiction in which the supplier is incorporated or otherwise formed that the applicable SFC is a binding obligation of the supplier in such jurisdiction in which it is incorporated or otherwise formed, (b) a sworn certificate of the supplier's Corporate Secretary, or similar officer, that the person executing the SFC on behalf of such supplier has the authority to execute such SFC and that the governing board of the supplier approves the execution of such SFC, and (c) a sworn certificate of the supplier's Corporate Secretary, or similar officer, that the supplier is authorized by its governing board to enter into agreements of the same type as such SFC. The Company shall have full discretion, without liability or recourse to the supplier, to evaluate the sufficiency of the documents submitted by the supplier.

As applicable, the supplier's foreign guarantor must submit (a) a legal opinion of independent counsel qualified to practice in the jurisdiction in which the guarantor is incorporated or otherwise formed that the guaranty is a binding obligation of the guarantor in the jurisdiction in which it is incorporated or otherwise formed, (b) a sworn certificate of the guarantor's Corporate Secretary, or similar officer, that the person executing the guaranty on behalf of the guarantor has the authority to execute the guaranty and that the governing board of such guarantor approves the execution of such guaranty, and (c) a sworn certificate of the guarantor's Corporate Secretary, or similar officer, that the guarantor is authorized by its governing board to enter into agreements of the same type as such guaranty. The Company has sole and absolute discretion, without liability or recourse to the guarantor or the supplier, to evaluate the sufficiency of the documents submitted by such guarantor.

(Continued on Sheet No. 265)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 264)

**COMPETITIVE PROCUREMENT PROCESS (CONTINUED)**

**CPP DOCUMENTS (CONTINUED).**

**Supplier Forward Contract (Continued)**

**Credit Requirement Provisions Of The SFC (Continued)**

4. The supplier must agree that it will meet the creditworthiness requirements of the SFC at all times during the term of such SFC and will inform the Company immediately of (a) any changes in its or its guarantor's credit rating or outlook; and (b) any material, adverse changes in its or its guarantor's financial condition. The supplier will, upon written request by the Company, affirmatively demonstrate its or its guarantor's compliance with the creditworthiness requirements set forth in the SFC and in this Credit Requirement Provisions of the SFC clause.
5. The Company will review the creditworthiness of the supplier or its guarantor whenever it becomes aware, through the provision of notice by the supplier or otherwise, of a decrease in the supplier's or its guarantor's credit rating. If the lowest credit rating used to determine the supplier's or its guarantor's credit limit decreases, such supplier will provide an additional security instrument to the Company, or increase the value of any existing security instrument in accordance with the SFC.
6. The supplier has the opportunity to petition the Company to review its or its guarantor's creditworthiness whenever an event occurs that the supplier believes would improve the determination made by the Company of its or its guarantor's creditworthiness. The Company's credit review must be completed as soon as possible but no later than thirty (30) days after receiving such a request. The Company must provide the rationale for its determination of any resulting credit limit and any resulting security requirement. The Company must perform its credit review and associated security calculation in a nondiscriminatory manner. In order for the Company to complete its review, the supplier or guarantor must provide unrestricted access to its audited financial statements, or in the event that such audited financial statements are not available, the Company may accept other types of financial statements.

The supplier may submit and maintain a security deposit in lieu of submitting to or being qualified under a creditworthiness evaluation.

**Translation Documents**

The Translation Documents provide the mechanism by which retail supply charges are determined based upon the final clearing prices of the auctions. The Translation Documents include spreadsheets that utilize information obtained as described in the Customer Supply Group Information and the Market Cost Information sections of the Translation to Retail Charges part of this rider. The spreadsheets incorporate the formulae provided in the Market Cost Computations, Seasonal Supplier Payment Ratio Computation, Market Value, and Supply Charge Computation sections of the Translation to Retail Charges part of this rider. The Company prepares the Translation Documents and submits them to the Auction Manager in a timely manner in accordance with the provisions of the CPP Timeline section of this Competitive Procurement Process part. The Auction Manager then makes the Translation Documents available to any interested entity.

(Continued on Sheet No. 266)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 265)

**COMPETITIVE PROCUREMENT PROCESS (CONTINUED)**

**CPP TIMELINE.**

The CPP is repetitive in nature. CPP Auctions and CPP-H Auctions are conducted on an annual basis; the market values and retail supply charges are determined on an annual basis, as well. A specific timeline is necessary to ensure that the CPP proceeds in an orderly and timely manner. The timeline described in this CPP Timeline section incorporates the Auction Commencement Date, the Auction Completion Date, and the Declaration of a Successful Auction Date as its primary reference points. The Auction Commencement Date may fluctuate from year to year, but it can be no earlier than January 15 and no later than January 31 in any given year, beginning in 2008. The Auction Completion Date and the Declaration of a Successful Auction Date are not known in advance, and can fluctuate from year to year. Notwithstanding other provisions of this CPP Timeline section, the initial CPP shall have an Auction Commencement Date no earlier than September 5, 2006, and no later than September 15, 2006, and market values and retail supply charges for such initial CPP shall be determined for the period beginning January 2, 2007, and extending through the end of the May 2008 monthly billing period.

The end of the historical period for which the most recent customer supply group data, as described in the Customer Supply Group Information section of the Translation to Retail Charges part of this rider, is obtained is the monthly billing period ending no later than seven (7) months prior to the earliest possible Auction Commencement Date.

The end of the period during which the most recent market cost data, as described in the Market Cost Information section of the Translation to Retail Charges part of this rider, is obtained is no later than one hundred, thirty-five (135) calendar days prior to the earliest possible Auction Commencement Date.

No later than one hundred, five (105) calendar days prior to the earliest possible Auction Commencement Date: (1) all applicable Auction Manuals are provided to Staff for informational purposes and made available to interested entities and the public; (2) the Company submits the Translation Documents to the Auction Manager, and the Auction Manager makes such Translation Documents available to interested entities; and (3) the Company submits the SFCs to the ICC in an information filing.

Part 1 Application Forms and sample Part 2 Application Forms are made available to prospective bidders no later than eighty-five (85) calendar days prior to the earliest possible Auction Commencement Date.

No later than sixty (60) calendar days prior to the earliest possible Auction Commencement Date, the Auction Manager makes the Part 2 Application Forms available to prospective bidders and announces for each auction and auction segment, as applicable: (1) the number of tranches included; (2) the MW measure and percent of peak load for each tranche; (3) the load cap; (4) maximum starting prices; and (5) minimum starting prices, as each such item is described in the applicable Auction Manual.

(Continued on Sheet No. 267)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 266)

**COMPETITIVE PROCUREMENT PROCESS (CONTINUED)**

**CPP TIMELINE (CONTINUED).**

A prospective bidder must submit the completed and signed Part 1 Application Form to the Auction Manager no later than forty-eight (48) calendar days prior to the earliest possible Auction Commencement Date.

The Auction Manager determines which prospective bidders successfully completed the Part 1 Application Form and informs such bidders no later than forty-five (45) calendar days prior to the earliest possible Auction Commencement Date. Such bidders are designated as qualified bidders.

A qualified bidder must submit the completed and signed Part 2 Application Form to the Auction Manager no later than thirty-five (35) calendar days prior to the earliest possible Auction Commencement Date.

The Auction Manager determines which qualified bidders successfully completed the Part 2 Application Form and informs such bidders no later than twenty-eight (28) calendar days prior to the earliest possible Auction Commencement Date.

No later than twenty-five (25) calendar days prior to the earliest possible Auction Commencement Date, bidders that were determined to have successfully completed the Part 2 Application Form must pay the Bid Participation Fee and after receipt, the Auction Manager may release to such bidders information regarding possible values of the target eligibility ratio and the circumstances under which a second volumetric cutback could occur, as described in the applicable Auction Manual. After paying the Bid Participation Fee such bidders are designated as registered bidders.

The Auction Manager announces the supplier fee per winning tranche to registered bidders no later than ten (10) calendar days prior to the earliest possible Auction Commencement Date.

No later than three (3) calendar days prior to the Auction Commencement Date, the Auction Manager announces the Round 1 prices to the registered bidders.

The CPP Auction and the CPP-H Auction begin on the Auction Commencement Date.

The CPP Auction and the CPP-H Auction proceed until the price can no longer be decrementally reduced for any auction product and no bidder can change its bid. At such point in time the Auction Manager announces the completion of the auctions. The day during which such announcement is made is the Auction Completion Date.

The Auction Manager submits the Confidential Report of the Auction Manager to the ICC no later than the end of business on the business day immediately following the Auction Completion Date.

The Auction Advisor submits the Confidential Report of the Auction Advisor to the ICC no later than the end of business on the business day immediately following the Auction Completion Date.

(Continued on Sheet No. 268)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 267)

**COMPETITIVE PROCUREMENT PROCESS (CONTINUED)**

**CPP TIMELINE (CONTINUED).**

If, during the period that ends at the end of the third business day following the Auction Completion Date, the ICC initiates a formal investigation or other formal proceeding regarding the CPP Auction or CPP-H Auction, then the Company will not execute the SFCs resulting from such auction. The Company and the Auction Manager will determine if the descending-clock auction phase of such auction can be conducted again, starting over with the same Round 1 price(s) in a manner that timely addresses and resolves the concern(s) that led to the ICC's formal action. If the Company and the Auction Manager make such a determination, then the descending-clock auction phase of such auction will be repeated in accordance with terms consistent with this rider in a timely fashion, and the steps following such auction shall be followed as provided in this rider, except that the schedule for such steps will conform to reflect that the descending-clock auction was repeated on a later date. Upon completion of such repeated auction and no rejection of its results by the ICC, the Auction Manager issues a Declaration of a Successful Auction. In the event that the Company and the Auction Manager determine that the CPP Auction or CPP-H Auction cannot be repeated in a manner that timely addresses and resolves the concern(s) that led to the ICC's formal action, and the ICC has not approved an alternative procurement mechanism, then the provisions provided in the Limitations and Contingencies part of this rider become operative.

In the event that the ICC takes no formal action described in the preceding paragraph, the Auction Manager issues a Declaration of a Successful Auction at the end of business on the third business day following the Auction Completion Date. The day on which such declaration is issued is the Declaration of a Successful Auction Date.

Each winning bidder must prove its initial creditworthiness as provided in the applicable SFC, pay the Supplier Fee provided in such SFC, sign such SFC, and submit it to the Company thereby becoming a supplier no later than the end of business on the second business day following the Declaration of a Successful Auction Date. Immediately after such supplier signs such SFC and submits it to the Company, the Company will sign such SFC.

Any and all documents containing confidential information pertaining to the CPP Auction and/or the CPP-H Auction must be destroyed by any entity in possession of any such documents no later than five (5) days following the Declaration of a Successful Auction Date, with the exception that the Company, the Auction Manager, the Auction Advisor, and the ICC will not destroy any such documents, but will retain any such documents in a confidential manner for a period of time extending at least the duration of the longest term SFC executed as a result of such auctions.

The Company submits the Retail Supply Charge Informational Filing to the ICC no later than nine (9) business days following the Declaration of a Successful Auction Date.

The election period for Rider PPO-MVM – Power Purchase Option (Market Value Methodology) (Rider PPO-MVM) begins the first business day following the date the Company submits the Retail Supply Charge Informational Filing to the ICC and continues for thirty (30) calendar days thereafter.

The election period for the tariff for bundled electric service for which the Company procures full requirements electric supply via the auction product related to the CPP Auction - Annual Segment begins the first business day following the date the Company submits the Retail Supply Charge Informational Filing to the ICC and continues for thirty (30) calendar days thereafter.

(Continued on Sheet No. 269)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 268)

**COMPETITIVE PROCUREMENT PROCESS (CONTINUED)**

**CPP TIMELINE (CONTINUED).**

The retail supply charges provided in the Retail Supply Charge Informational Filing become effective for twelve (12) monthly billing periods beginning with the June monthly billing period following the Declaration of a Successful Auction Date, except as provided in the first paragraph of this CPP Timeline section. The Company shall not be required to obtain any consent or other approval, whether prospective, contemporaneous, or retrospective, from the ICC or any other entity in order to issue bills containing such retail supply charges or in order to collect such retail supply charges.

The Public Report of the Auction Advisor and the Public Report of the Auction Manager are made publicly available on the first business day after the Company begins to procure full requirements electric supply in accordance with SFCs executed following the Declaration of a Successful Auction Date.

The Process Improvement Report is made publicly available no later than sixty (60) calendar days after the Company begins to procure full requirements electric supply in accordance with SFCs executed following the Declaration of a Successful Auction Date.

At least three (3) business days prior to the start of each monthly billing period, beginning with the March 2007 monthly billing period, the Company submits the Accuracy Assurance Factors (AAFs) applicable during such monthly billing period, along with supporting work papers, to the ICC for informational purposes. The Company shall not be required to obtain any consent or other approval, whether prospective, contemporaneous, or retrospective, from the ICC or any other entity in order to issue bills containing any such AAF or in order to collect any such AAF.

**RETAIL CUSTOMER SWITCHING RULES**

**BUNDLED ELECTRIC SERVICE RELATED TO THE CPP AUCTION – BLENDED SEGMENT.**

If a retail customer has been taking service from the Company on a continuous basis beginning January 2, 2007, and such service has been provided under a tariff for bundled electric service for which the Company procures full requirements electric supply via auction products attributable to the CPP Auction - Blended Segment, such customer may elect to obtain electric power and energy supply from a Retail Electric Supplier (RES). In making such election, the provision of service under such bundled electric service tariff will terminate and the provision of service from the Company under Rate RCDS - Retail Customer Delivery Service (Rate RCDS) will commence. Such election will be effective on the Company's next normally scheduled meter reading or billing cycle date for such retail customer, provided such effective date is at least seven (7) calendar days after the Company receives a valid and applicable Direct Access Service Request (DASR) for such customer and such retail customer is in compliance with all the prerequisites for service under Rate RCDS. Notwithstanding the previous provisions of this paragraph, if the retail customer is a nonresidential retail customer, such effective date may occur on a date other than the Company's next normally scheduled meter reading or billing cycle date for such nonresidential customer, provided such effective date is at least seven (7) calendar days after the Company receives a valid and applicable DASR for such nonresidential customer, such nonresidential customer is in compliance with all the prerequisites for service under Rate RCDS, and such nonresidential customer is subject to the Nonstandard Switching Fee provided in the Nonstandard Switching Fee subsection of the Charges section of that Rates and Charges part of Rate RCDS.

(Continued on Sheet No. 270)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 269)

**RETAIL CUSTOMER SWITCHING RULES (CONTINUED)**

**BUNDLED ELECTRIC SERVICE RELATED TO THE CPP AUCTION – BLENDED SEGMENT (CONTINUED).**

If a retail customer commences service from the Company under a tariff for bundled electric service for which the Company procures full requirements electric supply via auction products attributable to the CPP Auction - Blended Segment after January 2, 2007, but such customer had never received service from the Company under any tariff prior to such commencement date, such customer may elect to obtain electric power and energy supply from a RES in accordance with the provisions of the previous paragraph.

If a retail customer has been taking service from the Company on a continuous basis beginning January 2, 2007, and such service has been provided under a tariff for bundled electric service for which the Company procures full requirements electric supply via auction products attributable to the CPP Auction - Blended Segment, such customer may elect to obtain full requirements electric supply under a tariff for bundled electric service for which the Company procures full requirements electric supply in accordance with the provisions of the CPP-H Auction subsection of the General Process section of the Competitive Procurement Process part of this rider, provided the customer fulfills all prerequisites for service under such other tariff for bundled electric service for which the Company procures full requirements electric supply in accordance with such CPP-H Auction subsection.

If a retail customer commences service from the Company under a tariff for bundled electric service for which the Company procures full requirements electric supply via auction products attributable to the CPP Auction - Blended Segment after January 2, 2007, but such customer had never received service from the Company under any tariff prior to such commencement date, such customer may elect to obtain full requirements electric supply under a tariff for bundled electric service for which the Company procures full requirements electric supply in accordance with the provisions of the CPP-H Auction subsection of the General Process section of the Competitive Procurement Process part of this rider, provided the customer fulfills all prerequisites for service under such other tariff for bundled electric service for which the Company procures full requirements electric supply in accordance with such CPP-H Auction subsection.

If a retail customer commences service from the Company under a tariff for bundled electric service for which the Company procures full requirements electric supply via auction products attributable to the CPP Auction - Blended Segment after January 2, 2007, and such customer had received service from the Company under a different tariff prior to such commencement date, then such customer must continue to take service under such tariff for bundled electric service for which the Company procures full requirements electric supply via auction products attributable to the CPP Auction - Blended Segment for a period of twelve (12) consecutive monthly billing periods, or until such customer terminates all tariffed services from the Company at its premises, if such termination of service occurs prior to the end of such twelve (12) consecutive monthly billing periods.

(Continued on Sheet No. 271)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 270)

**RETAIL CUSTOMER SWITCHING RULES (CONTINUED)**

**BUNDLED ELECTRIC SERVICE RELATED TO THE CPP AUCTION – BLENDED SEGMENT (CONTINUED).**

Notwithstanding the provisions of the previous paragraph, if a retail customer commences service from the Company under a tariff for bundled electric service for which the Company procures full requirements electric supply via auction products attributable to the CPP Auction - Blended Segment after January 2, 2007, and such customer had received service from the Company under Rate RCDS prior to such commencement date, but the switch from service under Rate RCDS to such tariff for bundled electric service was a direct result of such customer's RES ceasing to do business as a RES in the Company's service territory, then such customer will not be required to continue to take service for a period of twelve (12) consecutive monthly billing periods under such tariff for bundled electric service for which the Company procures full requirements electric supply via auction products attributable to the CPP Auction - Blended Segment.

A customer to which the Self-Generating Customer Group or the Competitively Declared Customer Group is applicable is not eligible to take service under a tariff for bundled electric service for which the Company procures full requirements electric supply via auction products attributable to the CPP Auction - Blended Segment.

**RIDER PPO-MVM.**

A nonresidential customer may elect to obtain full requirements electric supply on an unbundled basis from the Company under Rider PPO-MVM, in conjunction with Rate RCDS. Such retail customer must make such election each year within the period of time that starts the first business day after the Company submits the Retail Supply Charge Informational Filing to the ICC and extends for thirty (30) calendar days thereafter. Notwithstanding the previous provisions of this paragraph, a retail customer may not elect to take service under such tariff if notice of such election is received by the Company after the date that is seven (7) days prior to the start of such customer's June monthly billing period. The term of service under Rider PPO-MVM is twelve (12) monthly billing periods beginning at the start of the June monthly billing period after the Declaration of a Successful Auction Date and extending through the end of the following May monthly billing period, except that the term of service corresponding to the initial CPP Auction extends from January 2, 2007, through the end of the May 2008 monthly billing period, with termination provisions as provided in Rider PPO-MVM.

A nonresidential customer to which the Very Large Load Customer Group is applicable that fails to elect service under Rider PPO-MVM for any initial or renewal term of service and fails to obtain electric power and energy supply from a RES in accordance with Rate RCDS, will obtain full requirements electric supply from the Company under a tariff for bundled electric service for which the Company procures full requirements electric supply in accordance with the provisions of the CPP-H Auction subsection of the General Process section of the Competitive Procurement Process part of this rider. Any other nonresidential customer that fails to elect service under Rider PPO-MVM for any initial or renewal term of service and fails to obtain electric power and energy supply from a RES in accordance with Rate RCDS, will obtain full requirements electric supply from the Company under a tariff for bundled electric service for which the Company procures full requirements electric supply via auction products attributable to the CPP Auction - Blended Segment. Notwithstanding the previous provisions of this section, a customer to which the Self-Generating Customer Group or the Competitively Declared Customer Group is applicable is not eligible to elect service under Rider PPO-MVM.

(Continued on Sheet No. 272)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 271)

**RETAIL CUSTOMER SWITCHING RULES (CONTINUED)**

**BUNDLED ELECTRIC SERVICE RELATED TO THE CPP AUCTION - ANNUAL SEGMENT.**

A retail customer to which the Very Large Load Customer Group is applicable may elect to obtain service from the Company under a tariff for bundled electric service for which the Company procures full requirements electric supply via the auction product attributable to the CPP Auction - Annual Segment. Such retail customer must make such election each year within the period of time that starts the first business day after the Company submits the Retail Supply Charge Informational Filing to the ICC and extends for thirty (30) calendar days thereafter. Notwithstanding the previous provisions of this paragraph, a retail customer may not elect to take service under such tariff if notice of such election is received by the Company after the date that is seven (7) days prior to the start of such customer's June monthly billing period. The term of service under such tariff is twelve (12) monthly billing periods beginning at the start of the June monthly billing period after the Declaration of a Successful Auction Date and extending through the end of the following May monthly billing period, except that the term of service corresponding to the initial CPP Auction extends from January 2, 2007, through the end of the May 2008 monthly billing period. A customer that fails to elect service under such tariff for any initial or renewal term of service and fails to obtain electric power and energy supply from a RES in accordance with Rate RCDS, will obtain full requirements electric supply from the Company under a tariff for bundled electric service for which the Company procures full requirements electric supply in accordance with the provisions of the CPP-H Auction subsection of the General Process section of the Competitive Procurement Process part of this rider. Notwithstanding the previous provisions of this paragraph, a customer to which the Self-Generating Customer Group or the Competitively Declared Customer Group is applicable is not eligible to elect service under such tariff for bundled electric service for which the Company procures full requirements electric supply via the auction product attributable to the CPP Auction - Annual Segment.

**BUNDLED ELECTRIC SERVICE WITH HOURLY PRICING.**

At any time after January 2, 2007, if a nonresidential retail customer, with an expected demand greater than 1,000 kW and no history of service from the Company under any tariff, fails to initially commence service with the Company by obtaining electric power and energy supply from a RES in accordance with Rate RCDS and fails to elect and commence service in accordance with the provisions of the Rider PPO-MVM section or the Bundled Electric Service Related to the CPP Auction - Annual Segment section of this Retail Customer Switching Rules part, such customer will obtain full requirements electric supply from the Company under the tariff for bundled electric service for which the Company procures full requirements electric supply in accordance with the provisions of the CPP-H Auction subsection of the General Process section of the Competitive Procurement Process part of this rider.

A customer to which the Self-Generating Customer Group or the Competitively Declared Customer Group is applicable that fails to obtain electric power and energy supply from a RES in accordance with Rate RCDS, will obtain full requirements electric supply from the Company under the tariff for bundled electric service for which the Company procures full requirements electric supply in accordance with the provisions of the CPP-H Auction subsection of the General Process section of the Competitive Procurement Process part of this rider.

(Continued on Sheet No. 273)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 272)

**RETAIL CUSTOMER SWITCHING RULES (CONTINUED)**

**BUNDLED ELECTRIC SERVICE WITH HOURLY PRICING (CONTINUED).**

A retail customer taking service under a tariff for bundled electric service for which the Company procures full requirements electric supply in accordance with the provisions of the CPP-H Auction subsection of the General Process section of the Competitive Procurement Process part of this rider, may elect to terminate service under such tariff by giving the Company advance written notice at least sixty (60) days prior to the date on which the customer requests service under such tariff to be terminated, provided the Company accepts such notice. Such notice will be accepted by the Company and service under such tariff will be terminated on the requested date, if the customer, on or prior to such date, fulfills all prerequisites for, and on such date commences service under such other applicable tariffs that it may select and for which it is eligible.

**LIMITATIONS AND CONTINGENCIES**

In the event that the full requirements electric supply to be procured by the Company under the executed SFCs for the CPP Auction - Blended Segment, the CPP Auction - Annual Segment, or the CPP-H Auction is less than the full requirements electric supply requirements applicable to such CPP Auction - Blended Segment, CPP Auction - Annual Segment or CPP-H Auction due to under subscription, the Company will procure such under subscribed portion of its full requirements electric supply requirements through purchases in the PJM-administered markets. The Company will make such PJM market purchases, beginning on the first day of the required supply period and continuing through the end of the shortest term prior to available replacement by new SFCs that could occur in the next available CPP Auction for such segment or next available CPP-H Auction, as applicable. In the event that the ICC takes formal action with regard to a CPP Auction or CPP-H Auction, and the Company and the Auction Manager determine that the CPP Auction or CPP-H Auction cannot be repeated in a manner that timely addresses and resolves the concern(s) that led to the ICC's formal action, as provided for in the CPP Timeline section of the Competitive Procurement Process part of this rider, and the ICC has not approved an alternative procurement mechanism, then the provisions of this Limitations and Contingencies part relating to under subscriptions shall apply.

In the event that a supplier commits or is subject to an event of default under an executed SFC for the CPP Auction - Blended Segment, the CPP Auction - Annual Segment, or the CPP-H Auction, and the Company issues to the supplier a notice of termination of such SFC based on such event of default, the Company will procure the portion of its full requirements electric supply requirements to which such SFC was applicable by means of an alternative wholesale market competitive procurement process. For situations in which the remaining term for the procurement of any part of such portion (the defaulted part) is one hundred, twenty (120) calendar days or less, the Company will procure such defaulted part through purchases in the PJM-administered markets for the remaining term of such defaulted part. For situations in which the remaining term for the procurement of any defaulted part is more than one hundred, twenty (120) calendar days and such defaulted part numbers fewer than thirty (30) tranches of CPP Auction load, a Solicitation for Replacement Procurement (SRP) will be issued for the procurement of such defaulted part. For situations in which the remaining term for the procurement of any defaulted part is more than one hundred, twenty (120) calendar days and such defaulted part numbers thirty (30) or more tranches of CPP Auction load, a replacement auction will be conducted, with an abbreviated schedule, for the procurement of such defaulted part.

(Continued on Sheet No. 274)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 273)

**LIMITATIONS AND CONTINGENCIES (CONTINUED)**

If an SRP is required, eligible bidders will be requested to submit binding offers to provide full requirements electric supply to be procured by the Company for the defaulted part for its remaining term. The SRP employs sealed bids submitted in a single-round process. Due to the nature of such process, there is no maximum boundary level with respect to the provision of full requirements electric supply imposed on the eligible bidders in this process. The Auction Manager oversees and administers the process. The Auction Manager contacts bidders, evaluates all offers and selects the offers with the lowest priced bids, in succession, until such offers include the provision of full requirements electric supply in an amount equal to the defaulted part. In addition, the Auction Manager reports the results of the process to the Company and the ICC. The Solicitation for Replacement Procurement Manual describes the eligibility criteria, bid preparation and submittal, evaluation, and other applicable items in the SRP process in more detail.

If a replacement auction is required, the process followed is similar to the most recently conducted applicable auction, with the exception that preparatory activities occurring prior to the actual auction are reduced or simplified, due to the need of the Company to procure full requirements electric supply in an amount equal to the defaulted part in an expeditious manner. Bidders in such a replacement auction will be required to certify that they have reviewed and understand the operational mechanics of the auction process in order to participate. The replacement auction is conducted by the Auction Manager in a manner similar to that described in the Competitive Procurement Process part of this rider, including the review by the ICC at its conclusion.

If either an SRP or replacement auction is required, the Company will procure full requirements electric supply for the defaulted part from the PJM-administered markets beginning at the time that the SFC previously applicable to the defaulted part is terminated and continuing until full requirements electric supply in an amount equal to the defaulted part is procured under the terms of SFCs executed in accordance with the provisions of this Limitations and Contingencies part.

(Continued on Sheet No. 275)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 274)

**TRANSLATION TO RETAIL CHARGES**

**OVERVIEW.**

After each CPP Auction is completed and the final clearing prices are determined, the Company translates those prices into supply charges applicable to retail customers for which the Company procures full requirements electric supply under other Company tariffs to which this rider is applicable. Such translation will be in accordance with the provisions of this rider and the tariffs to which this rider is applicable. The translation from final clearing prices into retail supply charges employs ratios that appropriately allocate the Company's costs to procure full requirements electric supply among retail customer supply groups by reflecting each such group's responsibility for such costs based upon characteristics specified in this tariff.

The Company develops such ratios in a series of steps described in this rider that takes into account customer supply group demands, usage, time of use, transmission and distribution losses, and migration risk. The ratios are developed using market costs for generation capacity, electric energy, and certain transmission and ancillary transmission services. These costs take into account time differentiations. The Company then applies these ratios to a load weighted average of the final clearing prices applicable for the twelve (12) monthly billing periods for which retail supply charges are being computed, taking into account seasonal supplier payment differences, to determine the supply charges applicable to retail customers for full requirements electric supply procured for them by the Company.

Notwithstanding the previous provisions of this Translation to Retail Charges Overview section, for the period from January 2, 2007, through the end of the May 2008 monthly billing period, the aforementioned twelve (12) monthly billing periods shall instead be the period from January 2, 2007, through the end of the May 2008 monthly billing period.

**CUSTOMER SUPPLY GROUP INFORMATION.**

**Customer Supply Group Energy Usage Determination**

For the purpose of translating CPP Auction final clearing prices into retail supply charges, for each CPP Auction the Company will identify historical energy usage in megawatt-hours (MWhs) by customer supply group on a monthly basis for each customer supply group included in such auction. The Company will obtain monthly customer supply group usage by computing the average electricity usage in each monthly billing period for each applicable group based upon the electricity delivered to each such group in the most recent twenty-four (24) consecutive monthly billing periods extending through the monthly billing period ending no later than seven (7) months prior to the earliest possible Auction Commencement Date. The following equation details this computation:

$$MWh_{m,g} = \frac{MWh_{m,g, yr - 2} + MWh_{m,g, yr - 1}}{2}$$

(Continued on Sheet No. 276)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 275)

**TRANSLATION TO RETAIL CHARGES (CONTINUED)**

**CUSTOMER SUPPLY GROUP INFORMATION (CONTINUED).**

**Customer Supply Group Energy Usage Determination (Continued)**

Where:

- MWh<sub>m, g</sub> = Electricity, in MWh, delivered to customer supply group, g, in monthly billing period, m
- MWh<sub>m, g, yr - 2</sub> = Electricity, in MWh, delivered to customer supply group, g, in monthly billing period, m, occurring within the thirteenth through twenty-fourth monthly billing periods of the aforementioned twenty-four (24) consecutive monthly billing periods
- MWh<sub>m, g, yr - 1</sub> = Electricity, in MWh, delivered to customer supply group, g, in monthly billing period, m, occurring within the first through twelfth monthly billing periods of the aforementioned twenty-four (24) consecutive monthly billing periods

**Customer Supply Group Peak And Off-Peak Energy Percentage Determination**

For the purpose of translating CPP Auction final clearing prices into retail supply charges, for each CPP Auction the Company will determine the percentage of electricity used during Peak Periods and the percentage of electricity used during Off-Peak Periods on a monthly billing period basis for each customer supply group included in such auction. The Company will obtain the monthly billing period customer supply group Peak Period usage percentage by computing the average Peak Period usage percentage for each monthly billing period for each applicable customer supply group based upon customer supply group load profile data for the most recent twenty-four (24) consecutive monthly billing periods extending through the monthly billing period ending no later than seven (7) months prior to the earliest possible Auction Commencement Date. The following equation details this computation:

$$\text{Peak \%}_{m, g} = \frac{\text{Peak \%}_{m, g, yr - 2} + \text{Peak \%}_{m, g, yr - 1}}{2}$$

Where:

- Peak %<sub>m, g</sub> = Percentage, in decimal format, of electricity delivered to the customer supply group, g, in monthly billing period, m, during Peak Periods
- Peak %<sub>m, g, yr - 2</sub> = Percentage of electricity delivered to the customer supply group, g, in monthly billing period, m, during Peak Periods occurring within the thirteenth through twenty-fourth monthly billing periods of the aforementioned twenty-four (24) consecutive monthly billing periods, divided by 100
- Peak %<sub>m, g, yr - 1</sub> = Percentage of electricity delivered to the customer supply group, g, in monthly billing period, m, during Peak Periods occurring within the first through twelfth monthly billing periods of the aforementioned twenty-four (24) consecutive monthly billing periods, divided by 100

(Continued on Sheet No. 277)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 276)

**TRANSLATION TO RETAIL CHARGES (CONTINUED)**

**CUSTOMER SUPPLY GROUP INFORMATION (CONTINUED).**

**Customer Supply Group Peak And Off-Peak Energy Percentage Determination (Continued)**

The following equation details the computation of the monthly billing period customer supply group Off-Peak Period usage percentage:

$$\text{OffPeak \%}_{m, g} = 1 - \text{Peak \%}_{m, g}$$

Where:

$\text{OffPeak \%}_{m, g}$  = Percentage, in decimal format, of electricity delivered to the customer supply group, g, in monthly billing period, m, during Off-Peak Periods

**Customer Supply Group Generation Capacity Obligation Determination**

For the purpose of translating CPP Auction final clearing prices into retail supply charges, for each CPP Auction the Company will determine the generation capacity obligation,  $GO_g$ , in MW, for each customer supply group, g, included in the CPP Auction. The generation capacity obligation for a customer supply group reflects the PJM capacity obligation of such group occurring in the most recent twelve (12) monthly billing periods ending no later than seven (7) months prior to the earliest possible Auction Commencement Date.

**Customer Supply Group Expansion Factor Determination**

For the purpose of translating CPP Auction final clearing prices into retail supply charges, for each CPP Auction the Company will compute an expansion factor to account for losses on the distribution and transmission systems located in the Company's service territory for each customer supply group included in such auction. The following equation details this computation:

$$\text{Exp}_g = (1 + \text{DLF}_g) \times (1 + \text{TLF})$$

Where:

$\text{Exp}_g$  = Expansion Factor, in decimal format, for customer supply group, g  
 $\text{DLF}_g$  = Distribution Loss Factor for customer supply group, g, corresponding to the customer class distribution loss factor,  $\text{DLF}_c$ , provided in the System Losses section of the Technical and Operational Requirements part of Rate RCDS, divided by 100  
 $\text{TLF}$  = Transmission Loss Factor percentage for the transmission system located in the Company's service territory as provided in applicable tariffs on file with the FERC, divided by 100

(Continued on Sheet No. 278)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 277)

**TRANSLATION TO RETAIL CHARGES (CONTINUED)**

**CUSTOMER SUPPLY GROUP INFORMATION (CONTINUED).**

**Customer Supply Group Migration Risk Factor**

For the purpose of translating CPP Auction - Blended Segment final clearing prices into retail supply charges, the Company will compute the Customer Supply Group Migration Risk Factor,  $MR_g$ , in \$/MWh, for each applicable customer supply group. The purpose of this factor is to allocate the costs embedded in the final clearing prices, and associated with the potential for retail customer migration to and away from tariffed services under which the Company procures full requirements electric supply via CPP Auction - Blended Segment auction products, among the customer supply groups to appropriately reflect each such group's responsibility for such costs.

**MARKET COST INFORMATION.**

**Market Energy Costs**

For the purpose of translating CPP Auction final clearing prices into retail supply charges, the Company will obtain market data in the form of forward prices for energy delivered into the Northern Illinois Hub (NI Hub), by Peak Period and by Off-Peak Period, for each month corresponding to the period for which retail supply charges are being determined.

The Company will use *Platts Energy Trader* and Intercontinental Exchange as the sources of market data, but may include additional or different electronic exchanges or reporting services in the future as allowed by the ICC. Daily market data will be obtained and averaged, as applicable, from such sources' most recent end of day reports over a period ten (10) consecutive business days ending on or before the date that is one hundred, thirty-five (135) calendar days prior to the earliest possible Auction Commencement Date. In the absence of data for forward contracts with terms for individual months, market data for forward contracts with longer terms will be utilized. In the absence of market data for forward contracts with such longer terms, the period over which market data is obtained will be expanded and extended back in time to include an additional fifty (50) consecutive business days. In the event that no market data exists for the Peak Period for any month for which market data is to be obtained, the Company will utilize market data for a more recent comparable month. In the event that no market data exists for the Off-Peak Period for any month for which market data is to be obtained, the Company will utilize ratios of actual Off-Peak to Peak PJM locational marginal prices for the ComEd Zone for the most recent historical month corresponding to the month for which no market data exists. The terms used to identify market energy costs are as follows:

- $PE_m$  = Peak Energy Forward Market price, in \$/MWh, for month,  $m$ , determined using the procedure described in this Market Energy Costs subsection
- $OE_m$  = Off-Peak Energy Forward Market price, in \$/MWh, for month,  $m$ , determined using the procedure described in this Market Energy Costs subsection

(Continued on Sheet No. 279)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 278)

**TRANSLATION TO RETAIL CHARGES (CONTINUED)**

**MARKET COST INFORMATION (CONTINUED).**

**Market Generation Capacity Costs**

For the purpose of translating CPP Auction final clearing prices into retail supply charges, the Company will obtain auction values for generation capacity costs. The following equations detail the computation of summer and nonsummer generation capacity costs:

$$GCC_s = GCAV_s \times 122 \text{ days/summer}$$

$$GCC_a = GCAV_a \times 365 \text{ days/year}$$

$$GCC_n = GCC_a - GCC_s$$

Where:

- $GCC_s$  = Summer Generation Capacity Cost, in \$/MW
- $GCAV_s$  = Summer Generation Capacity Auction Value, in \$/MW-summer day, which is equivalent to the most recently available PJM summer generation capacity auction value available no later than one hundred, thirty-five (135) calendar days prior to the earliest possible Auction Commencement Date
- $GCC_a$  = Annual Generation Capacity Cost, in \$/MW
- $GCAV_a$  = Annual Generation Capacity Auction Value, in \$/MW-day, which is equivalent to the most recently available PJM annual generation capacity auction value available no later than one hundred, thirty-five (135) calendar days prior to the earliest possible Auction Commencement Date
- $GCC_n$  = Nonsummer Generation Capacity Cost, in \$/MW

Notwithstanding the preceding provisions for the computation of  $GCC_a$ , for computations that pertain to leap years, the number of days in the year shall be 366 rather than 365 in the applicable equation in this Market Generation Capacity Costs subsection.

Notwithstanding the preceding provisions for the computation of  $GCC_a$ , for computations that pertain to the initial period extending from January 2, 2007, through the end of the May 2008 monthly billing period for which retail supply charges are being determined, the number of days in the year shall be 516 rather than 365 in the applicable equation in this Market Generation Capacity Costs subsection.

In the event that a  $GCAV_s$  is not available, the  $GCAV_a$  will be used in its place in the applicable equation in this Market Generation Capacity Costs subsection.

(Continued on Sheet No. 280)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 279)

**TRANSLATION TO RETAIL CHARGES (CONTINUED)**

**MARKET COST INFORMATION (CONTINUED).**

**Market Ancillary Services Costs**

For the purpose of translating CPP Auction final clearing prices into retail supply charges, the Company will determine a market cost for ancillary services for those transmission services and ancillary transmission services the suppliers arrange for, acquire, and pay for in accordance with this rider. The ancillary services cost (ASC) will be determined by averaging the applicable transmission services and ancillary transmission services costs for the ComEd Zone for the most recent twelve (12) months ending no later than one hundred, thirty-five (135) calendar days prior to the earliest possible Auction Commencement Date. Such ASC will be in \$/MWh.

**MARKET COST COMPUTATIONS.**

**Market Energy Supply Cost Computations**

For the purpose of translating CPP Auction final clearing prices into retail supply charges, for each CPP Auction the Company will determine the market cost to supply energy by customer supply group, for Summer Periods and Nonsummer Periods, and by Peak Periods and Off-Peak Periods within those seasonal periods.

The following equation provides the determination of such costs for the Summer Period:

$$SMESC_g = Exp_g \times \frac{\sum_{sm} \{(MWh_{m,g} \times Peak\%_{m,g} \times PE_m) + (MWh_{m,g} \times OffPeak\%_{m,g} \times OE_m)\}}{\sum_{sm} MWh_{m,g}}$$

Where:

- SMESC<sub>g</sub> = Summer Market Energy Supply Cost for customer supply group, g, in \$/MWh
- ∑<sub>sm</sub> = The summation over the June, July, August, and September monthly billing periods, as applicable

The following equation provides the determination of such costs for the Summer Peak Period:

$$SPMESC_g = Exp_g \times \frac{\sum_{sm} (MWh_{m,g} \times Peak\%_{m,g} \times PE_m)}{\sum_{sm} (MWh_{m,g} \times Peak\%_{m,g})}$$

Where:

- SPMESC<sub>g</sub> = Summer Peak Market Energy Supply Cost for customer supply group, g, in \$/MWh

The following equation provides the determination of such costs for the Summer Off-Peak Period:

$$SOMESC_g = Exp_g \times \frac{\sum_{sm} (MWh_{m,g} \times OffPeak\%_{m,g} \times OE_m)}{\sum_{sm} (MWh_{m,g} \times OffPeak\%_{m,g})}$$

(Continued on Sheet No. 281)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 280)

**TRANSLATION TO RETAIL CHARGES (CONTINUED)**

**MARKET COST COMPUTATIONS (CONTINUED).**

**Market Energy Supply Cost Computations (Continued)**

Where:

SOMESC<sub>g</sub> = Summer Off-Peak Market Energy Supply Cost for customer supply group, g, in \$/MWh

The following equation provides the determination of such costs for Nonsummer Periods:

$$NMESC_g = Exp_g \times \frac{\sum_{nm} \{(MWh_{m,g} \times Peak\%_{m,g} \times PE_m) + (MWh_{m,g} \times OffPeak\%_{m,g} \times OE_m)\}}{\sum_{nm} MWh_{m,g}}$$

Where:

NMESC<sub>g</sub> = Nonsummer Market Energy Supply Cost for customer supply group, g, in \$/MWh

$\sum_{nm}$  = The summation over the January, February, March, April, May, October, November, and December monthly billing periods, as applicable

The following equation provides the determination of such costs for Nonsummer Peak Periods:

$$NPMESC_g = Exp_g \times \frac{\sum_{nm} (MWh_{m,g} \times Peak\%_{m,g} \times PE_m)}{\sum_{nm} (MWh_{m,g} \times Peak\%_{m,g})}$$

Where:

NPMESC<sub>g</sub> = Nonsummer Peak Market Energy Supply Cost for customer supply group, g, in \$/MWh

The following equation provides the determination of such costs for Nonsummer Off-Peak Periods:

$$NOMESC_g = Exp_g \times \frac{\sum_{nm} (MWh_{m,g} \times OffPeak\%_{m,g} \times OE_m)}{\sum_{nm} (MWh_{m,g} \times OffPeak\%_{m,g})}$$

Where:

NOMESC<sub>g</sub> = Nonsummer Off-Peak Market Energy Supply Cost for customer supply group, g, in \$/MWh

**Market Generation Capacity Cost Computations**

For the purpose of translating CPP Auction final clearing prices into retail supply charges, for each CPP Auction the Company will determine the market cost for generation capacity by customer supply group, by Summer Period and Nonsummer Period.

(Continued on Sheet No. 282)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 281)

**TRANSLATION TO RETAIL CHARGES (CONTINUED)**

**MARKET COST COMPUTATIONS (CONTINUED).**

**Market Generation Capacity Cost Computations (Continued)**

The following equation provides the determination of such costs for the Summer Period:

$$SMGCC_g = \frac{GO_g \times GCC_s}{\sum_{sm} MWh_{m,g}}$$

Where:

$SMGCC_g$  = Summer Market Generation Capacity Cost for customer supply group, g, in \$/MWh

The following equation provides the determination of such costs for the Nonsummer Period:

$$NMGCC_g = \frac{GO_g \times GCC_n}{\sum_{nm} MWh_{m,g}}$$

Where:

$NMGCC_g$  = Nonsummer Market Generation Capacity Cost for customer supply group, g, in \$/MWh

**Overall Supply Cost Computations**

For the purpose of translating CPP Auction final clearing prices into retail supply charges, for each CPP Auction the Company will determine the overall market cost to procure full requirements electric supply by customer supply group, by Summer Period and Nonsummer Period, and by Peak Periods and Off-Peak Periods within those seasons, as applicable.

The following equation provides the determination of such costs for the Summer Period:

$$SMSC_g = SMESC_g + SMGCC_g + (ASC \times Exp_g) + (MR_g \times Exp_g)$$

Where:

$SMSC_g$  = Summer Market Supply Cost for customer supply group, g, in \$/MWh

The following equation provides the determination of such costs for the Summer Peak Period:

$$SPMSC_g = SPMESC_g + SMGCC_g + (ASC \times Exp_g) + (MR_g \times Exp_g)$$

Where:

$SPMSC_g$  = Summer Peak Market Supply Cost for customer supply group, g, in \$/MWh

(Continued on Sheet No. 283)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 282)

**TRANSLATION TO RETAIL CHARGES (CONTINUED)**

**MARKET COST COMPUTATIONS (CONTINUED).**

**Overall Supply Cost Computations (Continued)**

The following equation provides the determination of such costs for the Summer Off-Peak Period:

$$\text{SOMSC}_g = \text{SOMESC}_g + \text{SMGCC}_g + (\text{ASC} \times \text{Exp}_g) + (\text{MR}_g \times \text{Exp}_g)$$

Where:

$$\text{SOMSC}_g = \text{Summer Off-Peak Market Supply Cost for customer supply group, } g, \text{ in } \$/\text{MWh}$$

The following equation provides the determination of such costs for the Nonsummer Period:

$$\text{NMSC}_g = \text{NMESC}_g + \text{NMGCC}_g + (\text{ASC} \times \text{Exp}_g) + (\text{MR}_g \times \text{Exp}_g)$$

Where:

$$\text{NMSC}_g = \text{Nonsummer Market Supply Cost for customer supply group, } g, \text{ in } \$/\text{MWh}$$

The following equation provides the determination of such costs for the Nonsummer Peak Period:

$$\text{NPMSC}_g = \text{NPMESC}_g + \text{NMGCC}_g + (\text{ASC} \times \text{Exp}_g) + (\text{MR}_g \times \text{Exp}_g)$$

Where:

$$\text{NPMSC}_g = \text{Nonsummer Peak Market Supply Cost for customer supply group, } g, \text{ in } \$/\text{MWh}$$

The following equation provides the determination of such costs for the Nonsummer Off-Peak Period:

$$\text{NOMSC}_g = \text{NOMESC}_g + \text{NMGCC}_g + (\text{ASC} \times \text{Exp}_g) + (\text{MR}_g \times \text{Exp}_g)$$

Where:

$$\text{NOMSC}_g = \text{Nonsummer Off-Peak Market Supply Cost for customer supply group, } g, \text{ in } \$/\text{MWh}$$

**Segment Supply Cost Computation**

For the purpose of translating CPP Auction final clearing prices into retail supply charges, for each CPP Auction segment the Company will determine the overall cost to procure full requirements electric supply for all customers included in each such auction segment for the period for which retail supply charges are being determined. The following equation is used to determine such overall cost:

$$\text{MSC}_{\text{segment}} = \frac{\sum_g (\text{SMSC}_g \times \sum_{sm} \text{MWh}_{m,g} + \text{NMSC}_g \times \sum_{nm} \text{MWh}_{m,g})}{\sum_g (\text{Exp}_g \times \sum_m \text{MWh}_{m,g})}$$

(Continued on Sheet No. 284)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 283)

**TRANSLATION TO RETAIL CHARGES (CONTINUED)**

**MARKET COST COMPUTATIONS (CONTINUED).**

**Segment Supply Cost Computation (Continued)**

Where:

- $MSC_{\text{segment}}$  = Market Supply Cost, in \$/MWh, for the period for which retail supply charges are being determined for all customer supply groups included in the applicable auction segment
- $\sum_g$  = The summation over the customer supply groups included in the applicable auction segment
- $\sum_m$  = The summation over the monthly billing periods corresponding to the monthly billing periods in the period for which retail supply charges are being determined

**SEASONAL SUPPLIER PAYMENT RATIO COMPUTATION.**

For the purpose of determining the summer and nonsummer payments to be made to suppliers and for the purpose of translating CPP Auction final clearing prices into retail supply charges, for each auction segment the Company will determine the payment ratios that will be used in differentiating the final clearing prices into the summer payment price and the nonsummer payment price that will be used to compensate suppliers from which the Company procures full requirements electric supply.

The Summer Payment Ratio, SPR, for each CPP Auction segment is determined in accordance with the following equation:

$$SPR = \frac{\left\{ \sum_g (SMSC_g \times \sum_{sm} MWh_{m,g}) \right\}}{\left\{ \sum_g (Exp_g \times \sum_{sm} MWh_{m,g}) \right\}} \div MSC_{\text{segment}}$$

The Nonsummer Payment Ratio, NPR, for each CPP Auction segment is determined in accordance with the following equation:

$$NPR = \frac{\left\{ \sum_g (NMSC_g \times \sum_{nm} MWh_{m,g}) \right\}}{\left\{ \sum_g (Exp_g \times \sum_{nm} MWh_{m,g}) \right\}} \div MSC_{\text{segment}}$$

(Continued on Sheet No. 285)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 284)

**TRANSLATION TO RETAIL CHARGES (CONTINUED)**

**MARKET VALUE.**

For the purpose of translating CPP Auction and CPP-H Auction final clearing prices into retail supply charges, for each of the CPP Auction - Blended Segment, CPP Auction - Annual Segment, and the CPP-H Auction, the Company will determine a single Market Value (MV). The MV is equal to the load weighted average final clearing price for all applicable auction products with durations that include the monthly billing periods for which retail supply charges are being determined, taking into account the SPR and NPR applicable to each auction product.

**CPP Auction – Blended Segment Market Value**

The Market Value - Blended,  $MV_B$ , in \$/MWh, is determined in accordance with the following equation:

$$MV_B = \frac{\sum_P \left\{ \left( FCPP \times \frac{T_P}{TT} \times SPR_P \right) \times \sum_g (Exp_g \times \sum_{sm} MWh_{m,g}) \right\} + \sum_P \left\{ \left( FCPP \times \frac{T_P}{TT} \times NPR_P \right) \times \sum_g (Exp_g \times \sum_{nm} MWh_{m,g}) \right\}}{\sum_g (Exp_g \times \sum_m MWh_{m,g})}$$

Where:

- $F_{CPP}$  = Final Clearing Price, in \$/MWh, for the CPP Auction - Blended Segment auction product, P, with a duration that includes the monthly billing periods for which retail supply charges are being determined
- $T_P$  = Number of tranches assigned to auction product, P
- $TT$  = Total number of tranches attributable to Retail Aggregate Load – Blended
- $\sum_P$  = The summation over all auction products with durations that include the monthly billing periods for which retail supply charges are being determined

**CPP Auction – Annual Segment Market Value**

The Market Value - Annual,  $MV_A$ , in \$/MWh, is determined in accordance with the following equation:

$$MV_A = FCP_A$$

Where:

- $FCP_A$  = Final Clearing Price, in \$/MWh, for the CPP Auction - Annual Segment auction product with a duration that includes the monthly billing periods for which retail supply charges are being determined

(Continued on Sheet No. 286)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 285)

**TRANSLATION TO RETAIL CHARGES (CONTINUED)**

**MARKET VALUE (CONTINUED).**

**CPP-H Auction Market Value**

The Market Value - Hourly,  $MV_H$ , in \$/MW-Day, is determined in accordance with the following equation:

$$MV_H = FCP_H$$

Where:

$FCP_H$  = Final Clearing Price, in \$/MW-Day for the CPP-H Auction auction product with a duration that includes the monthly billing periods for which retail supply charges are being determined

Generally, the aforementioned MVs are determined on an annual basis and are used to determine retail supply charges for a period that extends from the beginning of the June monthly billing period in the year in which the CPP Auction and CPP-H Auction are held through the end of the May monthly billing period of the following year. However, the initial MVs will be used to determine retail supply charges for the period that extends from January 2, 2007, through the end of the May 2008 monthly billing period.

**SUPPLY CHARGE COMPUTATION.**

The Company will compute Supply Charges for each customer supply group. Each Supply Charge computed in accordance with the provisions of this Supply Charge Computation section is determined by (1) computing a ratio, the numerator of which is the cost of procuring full requirements electric supply for the particular customer supply group and period for which such Supply Charge is applicable, and the denominator of which is the cost of procuring full requirements electric supply for all customers in the segment for which the CPP Auction is conducted, (2) multiplying such ratio by the applicable MV, and (3) converting the units from \$/MWh into ¢/kWh. Notwithstanding the previous provisions of this paragraph, the determination of Supply Charges resulting from the CPP-H Auction does not utilize the ratio mechanism described herein.

**Non-Time of Use Supply Charges – CPP Auction - Blended Segment**

For the Residential, Watt-Hour, Small Load, Medium Load, Dusk-To-Dawn Lighting, and General Lighting Customer Groups, the Supply Charges have differentiations for the Summer and Nonsummer Periods. The following equations are used to determine such Supply Charges.

In addition, for the Large Load Customer Group, the following equations are used to determine Supply Charges applicable to full requirements electric supply procured by the Company for such group that is measured with metering equipment which does not determine the time at which such full requirements electric supply is provided.

(Continued on Sheet No. 287)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 286)

**TRANSLATION TO RETAIL CHARGES (CONTINUED)**

**SUPPLY CHARGE COMPUTATION (CONTINUED).**

**Non-Time of Use Supply Charges – CPP Auction - Blended Segment (Continued)**

The Summer Supply Charge ( $SSC_g$ ), in ¢/kWh rounded to the thousandths of a cent, for each such customer supply group is computed in accordance with the following equation:

$$SSC_g = \frac{SMSC_g}{MSC_{segment}} \times MV_B \times \frac{1MWh}{1,000 kWh} \times \frac{100 \text{ ¢}}{\$1}$$

The Nonsummer Supply Charge ( $NSC_g$ ), in ¢/kWh rounded to the thousandths of a cent, for each such customer supply group is computed in accordance with the following equation:

$$NSC_g = \frac{NMSC_g}{MSC_{segment}} \times MV_B \times \frac{1MWh}{1,000 kWh} \times \frac{100 \text{ ¢}}{\$1}$$

**Time of Use Supply Charges – CPP Auction - Blended Segment**

For the Large Load Customer Group, the Supply Charges have differentiations for the Summer and Nonsummer Periods and for Peak and Off-Peak Periods. The following equations are used to determine such Supply Charges.

The Summer Peak Supply Charge ( $SPSC_g$ ), in ¢/kWh rounded to the thousandths of a cent, for such customer supply group is computed in accordance with the following equation:

$$SPSC_g = \frac{SPMSC_g}{MSC_{segment}} \times MV_B \times \frac{1MWh}{1,000 kWh} \times \frac{100 \text{ ¢}}{\$1}$$

The Summer Off-Peak Supply Charge ( $SOSC_g$ ), in ¢/kWh rounded to the thousandths of a cent, for such customer supply group is computed in accordance with the following equation:

$$SOSC_g = \frac{SOMSC_g}{MSC_{segment}} \times MV_B \times \frac{1MWh}{1,000 kWh} \times \frac{100 \text{ ¢}}{\$1}$$

(Continued on Sheet No. 288)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 287)

**TRANSLATION TO RETAIL CHARGES (CONTINUED)**

**SUPPLY CHARGE COMPUTATION (CONTINUED).**

**Time of Use Supply Charges – CPP Auction - Blended Segment (Continued)**

The Nonsummer Peak Supply Charge (NPSC<sub>g</sub>), in ¢/kWh rounded to the thousandths of a cent, for such customer supply group is computed in accordance with the following equation:

$$NPSC_g = \frac{NPMSC_g}{MSC_{segment}} \times MV_B \times \frac{1MWh}{1,000 kWh} \times \frac{100 \text{ ¢}}{\$1}$$

The Nonsummer Off-Peak Supply Charge (NOSC<sub>g</sub>), in ¢/kWh rounded to the thousandths of a cent, for such customer supply group is computed in accordance with the following equation:

$$NOSC_g = \frac{NOMSC_g}{MSC_{segment}} \times MV_B \times \frac{1MWh}{1,000 kWh} \times \frac{100 \text{ ¢}}{\$1}$$

**Supply Charges – CPP Auction - Annual Segment**

For the Very Large Load Customer Group, the Supply Charges have differentiations for the Summer and Nonsummer Periods and for Peak and Off-Peak Periods. The following equations are used to determine such Supply Charges.

The Summer Peak Supply Charge (SPSC<sub>g</sub>), in ¢/kWh rounded to the thousandths of a cent, for such customer supply group is computed in accordance with the following equation:

$$SPSC_g = \frac{SPMSC_g}{MSC_{segment}} \times MV_A \times \frac{1MWh}{1,000 kWh} \times \frac{100 \text{ ¢}}{\$1}$$

The Summer Off-Peak Supply Charge (SOSC<sub>g</sub>), in ¢/kWh rounded to the thousandths of a cent, for such customer supply group is computed in accordance with the following equation:

$$SOSC_g = \frac{SOMSC_g}{MSC_{segment}} \times MV_A \times \frac{1MWh}{1,000 kWh} \times \frac{100 \text{ ¢}}{\$1}$$

(Continued on Sheet No. 289)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 288)

**TRANSLATION TO RETAIL CHARGES (CONTINUED)**

**SUPPLY CHARGE COMPUTATION (CONTINUED).**

**Supply Charges – CPP Auction - Annual Segment (Continued)**

The Nonsummer Peak Supply Charge (NPSC<sub>g</sub>), in ¢/kWh rounded to the thousandths of a cent, for such customer supply group is computed in accordance with the following equation:

$$NPSC_g = \frac{NPMSC_g}{MSC_{segment}} \times MV_A \times \frac{1MWh}{1,000 kWh} \times \frac{100 \text{ ¢}}{\$1}$$

The Nonsummer Off-Peak Supply Charge (NOSC<sub>g</sub>), in ¢/kWh rounded to the thousandths of a cent, for such customer supply group is computed in accordance with the following equation:

$$NOSC_g = \frac{NOMSC_g}{MSC_{segment}} \times MV_A \times \frac{1MWh}{1,000 kWh} \times \frac{100 \text{ ¢}}{\$1}$$

In addition, for the Very Large Load Customer Group, the following equations are used to determine Supply Charges applicable to full requirements electric supply procured by the Company for such group that is measured with metering equipment which does not determine the time at which such full requirements electric supply is provided.

The Summer Supply Charge (SSC<sub>g</sub>), in ¢/kWh rounded to the thousandths of a cent, for such customer supply group is computed in accordance with the following equation:

$$SSC_g = \frac{SMSC_g}{MSC_{segment}} \times MV_A \times \frac{1MWh}{1,000 kWh} \times \frac{100 \text{ ¢}}{\$1}$$

The Nonsummer Supply Charge (NSC<sub>g</sub>), in ¢/kWh rounded to the thousandths of a cent, for such customer supply group is computed in accordance with the following equation:

$$NSC_g = \frac{NMSC_g}{MSC_{segment}} \times MV_A \times \frac{1MWh}{1,000 kWh} \times \frac{100 \text{ ¢}}{\$1}$$

(Continued on Sheet No. 290)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 289)

**TRANSLATION TO RETAIL CHARGES (CONTINUED)**

**SUPPLY CHARGE COMPUTATION (CONTINUED).**

**Supply Charges – CPP-H Auction**

**Hourly Auction Supply Charges**

The Hourly Auction Supply Charge, HASC, in \$/kW-Month, is computed in accordance with the following equation:

$$\text{HASC} = \text{MV}_H \times \frac{365 \text{ Days}}{1 \text{ Year}} \times \frac{1 \text{ Year}}{12 \text{ Months}} \times \frac{1 \text{ MW}}{1,000 \text{ kW}}$$

Notwithstanding the preceding provisions for the computation of HASC, for computations that pertain to leap years, the number of days in the year shall be 366 rather than 365.

Notwithstanding the preceding provisions for the computation of HASC, for computations that pertain to the initial period for which retail supply charges are being determined extending from January 2, 2007, through the end of the May 2008 monthly billing period, the number of days in the year shall be 516 rather than 365 and the number of months shall be seventeen (17) rather than twelve (12).

Notwithstanding the previous provisions of this Hourly Auction Supply Charges clause, in the event that the Company procures full requirements electric supply directly from PJM-administered markets and the CPP-H Auction is not conducted, in accordance with the provisions of the CPP-H Auction subsection of the General Process section of the Competitive Procurement Process part of this rider, the HASC will be determined in a manner that recovers capacity obligation costs of the full requirements electric supply the Company procures in such direct manner. Ancillary transmission services costs incurred as a result of such procurement in such direct manner will be recovered through the charges determined in Rider TS-CPP - Transmission Services (Competitive Procurement Process) (Rider TS-CPP). The HASC will be determined in such manner for application beginning with the June monthly billing period corresponding to the commencement of such procurement in such direct manner, with the exception that if such procurement in such direct manner begins on January 1, 2007, then the HASC will be determined in such manner for application beginning January 2, 2007.

**Hourly Energy Supply Charges**

The Hourly Energy Supply Charges are the PJM real-time, locational marginal prices at the ComEd Zone, adjusted for applicable transmission and distribution losses.

(Continued on Sheet No. 291)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 290)

**ACCURACY ASSURANCE MECHANISMS**

Payments that the Company makes for the procurement of full requirements electric supply required by retail customers to which the Company is providing such supply should be balanced with the amounts billed to such customers for such supply based on changes in such customers' actual usage and demands on the Company's system. In addition, in the event that the other competitive procurement processes provided for in the Limitations and Contingencies part of this rider are employed, such customers should be billed for the change in market value based charges that result from the employment of such processes. An Accuracy Assurance Factor, AAF, is determined and applied to such full requirements electric supply on a monthly basis. A separate monthly AAF, in ¢/kWh rounded to the thousandths of a cent, is determined for each of the CPP Auction - Blended Segment, and the CPP Auction - Annual Segment, and the CPP-H Auction. Such factors are submitted to the ICC in an informational filing at least three (3) business days prior to the start of the monthly billing period during which they are to be applied. The AAF is determined in accordance with the following equation:

$$AAF = CDU + CF$$

**CUSTOMER DEMAND AND USAGE FACTOR.**

The purpose of the Customer Demand and Usage Factor (CDU) is to periodically balance the amounts billed to retail customers for full requirements electric supply procured for them by the Company, based on changes in such customers' actual usage and demands on the Company's system, with the amounts paid by the Company to the suppliers from which it is procuring such supply as a function of the contract terms and prices determined in accordance with the CPP.

For each of the CPP Auction - Blended Segment and CPP Auction - Annual Segment, a separate CDU is determined for each monthly billing period in accordance with the following equation:

$$CDU_{mb} = \frac{(MWAP_{m-2} \times WE_{m-2}) - \text{Billings}_{m-2}}{E_{m-2} \times \left( \frac{\text{AVG}[E_{m-12}, E_{m-24}, E_{m-36}, E_{m-48}, E_{m-60}]}{\text{AVG}[E_{m-14}, E_{m-26}, E_{m-38}, E_{m-50}, E_{m-62}]} \right)} \times \frac{1 \text{ MWh}}{1,000 \text{ kWh}} \times \frac{100 \text{ ¢}}{\$1} + AB_{mb}$$

Where:

- CDU<sub>mb</sub> = Customer Demand and Usage Factor, in ¢/kWh rounded to the thousandths of a cent, applied as a credit or charge in monthly billing period, mb, to kWhs provided to retail customers in the applicable customer supply groups in monthly billing period, mb, for which full requirements electric supply is procured by the Company in accordance with the CPP
- MWAP<sub>m-2</sub> = Monthly Weighted Average Price, in \$/MWh, of the final clearing prices with a duration that included the calendar month occurring two (2) months prior to monthly billing period, mb, adjusted for the applicable seasonal payment ratios
- WE<sub>m-2</sub> = Wholesale Electricity, in MWhs, provided to the Company to supply the retail customers in the applicable customer supply groups in the calendar month occurring two (2) months prior to monthly billing period, mb

(Continued on Sheet No. 292)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 291)

**ACCURACY ASSURANCE MECHANISMS (CONTINUED)**

**CUSTOMER DEMAND AND USAGE FACTOR (CONTINUED).**

- $Billings_{m-2}$  = All billings, in \$, for the provision of full requirements electric supply applied in accordance with the CPP by the Company to retail customers in the applicable customer supply groups in the calendar month occurring two (2) months prior to monthly billing period, mb. Such billings do not include amounts billed in association with previously applied CDUs.
- $E_{m-2}$  = Electricity, in MWh, provided to retail customers included in the applicable customer supply groups in the calendar month occurring two (2) months prior to monthly billing period, mb
- $E_{m-n}$  = Electricity, in MWh, provided to retail customers in the applicable customer supply groups in the calendar month occurring n months prior to monthly billing period, mb, with such n equal to 12, 14, 24, 26, 36, 38, 48, 50, 60, or 62, as applicable
- $AB_{mb}$  = Automatic Balancing Factor, in ¢/kWh rounded to the thousandths of a cent, based upon the actual over or under recoveries of amounts associated with CDUs previously applied in monthly billing periods occurring prior to two (2) months before the monthly billing period, mb. The Automatic Balancing Factor is a credit or a charge depending upon whether there were over or under recoveries, respectively.

For retail customers for which the Company is procuring full requirements electric supply in accordance with the CPP-H Auction subsection of the General Process section of the Competitive Procurement Process part of this tariff, a separate CDU, in ¢/kWh rounded to the nearest thousandths of a cent, is determined annually and applied as a credit or charge, as applicable, to kWhs provided to such retail customers beginning with the February 2008 monthly billing period. Such CDU is based on the difference, if any, between (1) the total cost incurred by the Company to provide such retail customers full requirements electric supply, including without limitation, costs due to differences in the actual and forecast aggregate line losses and in other charges imposed by PJM pursuant to tariffs on file with the FERC, during the previous calendar year, excluding any amounts recoverable through Rider TS-CPP; and (2) the sum of the monthly billings for the provision of full requirements electric supply to such retail customers during the previous calendar year. Any amounts not recovered or refunded during any consecutive twelve (12) monthly billing periods, extending from the beginning of the February monthly billing period through the end of the following January monthly billing period will be reflected in the subsequent consecutive twelve (12) monthly billing periods.

(Continued on Sheet No. 293)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 292)

**ACCURACY ASSURANCE MECHANISMS (CONTINUED)**

**CONTINGENCY FACTOR.**

The purpose of the Contingency Factor (CF) is to determine appropriate charges to be included in the AAF in the event that the provisions of the Limitations and Contingencies part of this rider are employed. For each of the CPP Auction - Blended Segment and CPP Auction - Annual Segment, a separate CF is determined for each monthly billing period, as applicable, in accordance with the following equation:

$$CF_{mb} = \frac{TPC_{m-2} - (MWAP_{m-2} \times WE_{m-2}) + DC}{E_{m-2} \times \left( \frac{AVG[E_{m-12}, E_{m-24}, E_{m-36}, E_{m-48}, E_{m-60}]}{AVG[E_{m-14}, E_{m-26}, E_{m-38}, E_{m-50}, E_{m-62}]} \right)} \times \frac{1 \text{ MWh}}{1,000 \text{ kWh}} \times \frac{100 \text{ ¢}}{\$1} + CFA_{mb}$$

Where:

- $CF_{mb}$  = Contingency Factor, in ¢/kWh rounded to the thousandths of a cent, applied as a credit or charge in monthly billing period, mb, to kWhs provided to retail customers included in the applicable customer supply groups in monthly billing period, mb, for which full requirements electric supply is procured by the Company in accordance with the provisions of the Limitations and Contingencies part of this rider
- $TPC_{m-2}$  = Total Procurement Costs, in \$, incurred by the Company to procure full requirements electric supply provided to retail customers included in the applicable customer supply groups in accordance with the provisions of the Competitive Procurement Process part and the Limitations and Contingencies part of this rider in the calendar month occurring two (2) months prior to monthly billing period, mb
- DC = All compensation, in \$, received or paid by the Company in accordance with the terms of any SFC terminated in accordance with the provisions of the Limitations and Contingencies part of this rider; such compensation is negative or positive to reflect compensation received or paid by the Company, respectively; such compensation is amortized over what would have been the remaining term of such SFC had there been no event of default, to the extent practical, and such compensation is adjusted for interest, at the same rates used pursuant to the settlement terms of such SFC; such compensation does not include amounts awarded to the Company for administrative and legal costs incurred by the Company as a result of any such event of default
- $CFA_{mb}$  = Contingency Factor Adjustment, in ¢/kWh rounded to the thousandths of a cent, based upon the actual over or under recoveries of amounts associated with CFs previously applied in monthly billing periods occurring prior to two (2) months before the monthly billing period, mb. The Contingency Factor Adjustment is a credit or a charge depending upon whether there were over or under recoveries, respectively

(Continued on Sheet No. 294)

**RIDER CPP - COMPETITIVE PROCUREMENT PROCESS**

(Continued from Sheet No. 293)

**ACCURACY ASSURANCE MECHANISMS (CONTINUED)**

**CONTINGENCY FACTOR (CONTINUED).**

For retail customers for which the Company is procuring full requirements electric supply in accordance with the CPP-H Auction subsection of the General Process section of the Competitive Procurement Process part of this tariff, a separate CF, in ¢/kWh rounded to the nearest thousandths of a cent, is determined annually and applied as a credit or charge, as applicable, to kWhs provided to such retail customers beginning with the February 2008 monthly billing period. Such CF is based on the compensation, in \$, received or paid by the Company in accordance with the terms of any applicable SFC terminated in accordance with the provisions of the Limitations and Contingencies part of this rider. Such compensation is adjusted for interest, at the same rates used pursuant to the settlement terms of such SFC. Such compensation does not include amounts awarded to the Company for administrative and legal costs incurred by the Company as a result of any such event of default.

**MISCELLANEOUS GENERAL PROVISIONS**

Data obtained by the Company as described in the Customer Supply Group Information section and the Market Cost Information section of this rider will be maintained by the Company for a period of twenty-four (24) months.

The Company's Schedule of Rates of which this rider is a part includes general Terms and Conditions and other tariffs. Service hereunder is subject to these Terms and Conditions and other applicable tariffs.