

ROCKLAND ELECTRIC COMPANY

THIRD PARTY SUPPLIER AGREEMENT

Original: 08/17/99
Revised: 10/03/01
Revised: 05/14/03
Revised: 01/15/04
Revised: 01/25/05

TABLE OF CONTENTS

ARTICLE 1	DEFINITIONS.....	4
ARTICLE 2	GENERAL TERMS AND CONDITIONS	9
ARTICLE 3	REPRESENTATIONS AND WARRANTIES.....	13
ARTICLE 4	UTILIZATION OF SCHEDULING COORDINATORS.....	16
ARTICLE 5	COMMENCEMENT AND TERMINATION OF AGREEMENT	18
ARTICLE 6	BREACH AND DEFAULT.....	20
ARTICLE 7	CREDITWORTHINESS	22
ARTICLE 8	CUSTOMER ENROLLMENT AND INFORMATION PROCESS FLOW	25
ARTICLE 9	PROCEDURES FOR ENERGY SCHEDULING, CAPACITY RESOURCE SUBMISSION AND TRANSMISSION PROCUREMENT	29
ARTICLE 10	RECONCILIATION/SETTLEMENT PROCESS.....	32
ARTICLE 11	SUPPLIER RETAIL OBLIGATION/SUPPLIER’S DISCONTINUANCE OF CUSTOMERS OR WITHDRAWAL FROM COMPETITIVE ENERGY SUPPLY	33
ARTICLE 12	SUPPLIER CHARGES, BILLING AND PAYMENT	36
ARTICLE 13	RETAIL CUSTOMER BILLING AND PAYMENT COLLECTION.....	38
ARTICLE 14	RETAIL METERING SERVICES.....	39
ARTICLE 15	SYSTEM OPERATIONS	40
ARTICLE 16	CONFIDENTIALITY OF INFORMATION	42
ARTICLE 17	DISPUTE RESOLUTION.....	43
ARTICLE 18	FORCE MAJEURE.....	44

ARTICLE 19	REGULATORY AUTHORIZATIONS AND JURISDICTION.....	45
ARTICLE 20	LIMITATION OF LIABILITY	47
ARTICLE 21	INDEMNIFICATION	49
ARTICLE 22	MISCELLANEOUS.....	50
APPENDIX A	SCHEDULING COORDINATOR DESIGNATION FORM	55
APPENDIX B	CREDITWORTHINESS STANDARDS	57
APPENDIX C	LOSS FACTORS BY SERVICE CLASSIFICATION.....	64
APPENDIX D	LOAD PROFILING AND CAPACITY OBLIGATION DETERMINATION METHODOLOGY	65
APPENDIX E	SCHEDULE OF CERTAIN TPS CHARGES.....	71

**THIRD PARTY
SUPPLIER AGREEMENT**

THIS AGREEMENT, made and entered into this _____ day of _____, 20__, by and between Rockland Electric Company (“Company” or “RECO”), a corporation and a public utility organized and existing under the laws of the State of New Jersey and _____, a _____ organized and existing under the laws of _____, with New Jersey Taxpayer Identification Number _____, (the “Supplier”), both RECO and the Supplier hereinafter sometimes referred to collectively as the “Parties”, or individually as a “Party”.

WITNESSETH :

WHEREAS, RECO is currently a New Jersey public utility, which, through operation of an integrated system with its parent, Orange and Rockland Utilities, Inc. (“O&R”), is engaged in the production, transmission, distribution and sale of electric energy with an exclusive franchise to serve Customers located within certain areas of the State of New Jersey; and

WHEREAS, certain federal and New Jersey Statutes and administrative Rules and Regulations govern the electric utility industry in New Jersey (generally, the "Applicable Legal Authorities"); and

WHEREAS, certain of the Applicable Legal Authorities provide for the restructuring of the electric industry in New Jersey from that of a regulated public utility service to allow access to RECO’s Local Distribution System by entities that have successfully completed the licensing process set forth in the Applicable Legal Authorities; and

WHEREAS, the Supplier is licensed to supply Competitive Energy Supply to Customers in the State of New Jersey, and has been issued Board License Number. _____; and

WHEREAS, the Applicable Legal Authorities provide that, with implementation of such access to RECO's Local Distribution System, RECO will continue to serve as the exclusive electric distribution provider within its Service Territory; and

WHEREAS, in accordance with Applicable Legal Authorities, Customers may purchase Competitive Energy Supply from licensed Third Party Suppliers; and

WHEREAS, the Supplier desires the opportunity to negotiate with Customers for the sale of Competitive Energy Supply and to make such sales; and

WHEREAS, an agreement between RECO and the Supplier is needed in order for the Supplier to engage in the provision of Competitive Energy Supply in RECO's Service Territory; and

WHEREAS, the Board has approved the form of this Agreement for RECO's use with Third Party Suppliers;

WHEREAS, the Supplier has duly executed this Agreement and submitted it to RECO to serve as the Supplier's application for a determination by RECO that the Supplier is qualified to participate in such an Agreement, and to request that RECO execute and thereby enter into this Agreement with the Supplier; and

WHEREAS, the Supplier, by its submission of this executed Agreement to RECO, hereby authorizes RECO to conduct a background credit check on the Supplier; and

WHEREAS, the Company is not required to enter into an Agreement with a Third Party Supplier that has undisputed outstanding debts to the Company, or that the Company does not regard as creditworthy as described herein; and

WHEREAS, the Company's execution of this Agreement indicates that RECO has found the Supplier qualified, and that RECO therefore grants the Supplier direct access to RECO's Local Distribution System, subject to the terms and conditions hereof; and

WHEREAS, this Agreement sets forth the basic requirements for interactions and coordination between RECO and the Supplier necessary for allowing the delivery of Competitive Energy Supply from the Supplier to its Customers commencing with meter readings occurring on and after _____, 2003. Pursuant to this Agreement, the Supplier shall have access to the Company's Local Distribution System for purposes of supplying Competitive Energy Supply to Customers; and

WHEREAS, any capitalized or abbreviated term not elsewhere defined in this Agreement shall have the definition set forth in Article 1.

NOW, THEREFORE, in consideration of the mutual covenants and promises set forth below, RECO and the Supplier, intending to be legally bound, hereby covenant, promise and agree as follows:

ARTICLE 1
DEFINITIONS

Active Load Management - the process of receiving PJM credit for a capacity resource by arranging to have firm load become interruptible in accordance with criteria established by the PJM OI.

Basic Generation Service (“BGS”) - electric generation service provided pursuant to Applicable Legal Authorities, to any Customer that is not being served by a provider of Competitive Energy Supply. BGS is not a competitive service and is fully regulated by the Board.

Billing Month - one-twelfth of a year, or the period of approximately 30 days between two regular consecutive readings of the Company's meter or meters installed on the Customer's premises.

Board or “BPU” - the New Jersey Board of Public Utilities

Business Day - any day on which RECO’s corporate office is open for business.

Codes Of Conduct - standards for the conduct or behavior of the Parties under this Agreement that are contained in the Applicable Legal Authorities, as they are and may from time to time be amended.

Company Website - www.oru.com

Competitive Energy Supply - energy and capacity, including all associated losses, and other products that may be provided by a Third Party Supplier to fulfill its obligations to serve customer load in the NYISO control area. Competitive Energy Supply shall mean unbundled energy, Unforced Capacity, and firm transmission service, including all losses on all of the aforementioned, and other products that may be provided by a supplier to fulfill its obligations to serve customer load in the PJM control area. The provision of Competitive Energy Supply in the **PJM** control area entails fulfillment of all obligations associated with service to Customers, including the obligations of a Load Serving Entity under the PJM Tariff, procedures, agreements and manuals.

Consolidated Billing - billing procedure whereby the Company provides one bill to a Customer containing all permitted Customer charges owing both to the Company and to the Supplier for electric service, as well as all regulatory information and notice requirements, or the Supplier provides one bill to a Customer containing all such charges and information of the Company and the Supplier.

Coordination Obligations - all obligations identified in this Agreement and in the Applicable Legal Authorities, relating to the provision of TPS Services.

Customer - any person, partnership, association, or corporation receiving Competitive Energy Supply from a Third Party Supplier in accordance with the Applicable Legal Authorities at a single metered location.

Customer Account Services - metering, billing, or such other administrative activity associated with maintaining a Customer's Account.

Customer Supply Agreement - a contractual arrangement between a Customer of the Company and the Supplier.

Data Exchange & Protocol Working Group - designation for a specific subgroup of the Customer Processes Working Group, existing in New Jersey in 1998 and 1999 at the initiative of the Board, or its successor

EDI - Electronic Data Interchange. EDI shall be consistent with EDI Standards.

EDI Standards - The terms and conditions for EDI established by the BPU through its Data Exchange and Protocol Working Group (or successor) or otherwise, which may be modified from time to time. These standards shall address the necessary data transfer and exchange to accommodate enrollment and switching of Customers, metering and billing information, and current Customer information.

Emergency - a condition or situation which RECO, PJM, or the NYISO deems, in its reasonable judgment, imminently likely to endanger life or property, or affect or impair, or imminently will affect or impair, O&R or RECO's electrical system or the electrical systems of others to which O&R or RECO's electrical system is directly or indirectly connected. Such a condition or situation includes, but is not limited to, potential overloading of O&R or RECO's transmission and/or distribution circuits, PJM or NYISO minimum generation ("light load") conditions, unusual operating conditions on either O&R or RECO or the Third Party Supplier's electrical system or conditions such that O&R or RECO is unable to accept energy from the Third Party Supplier without jeopardizing O&R or RECO's electrical system or the electrical systems of others to which O&R or RECO's electrical system is directly or indirectly connected.

Fixed Pricing ("FP") Customer – a customer who is being served under any one of the Company's FP Tariffs as approved by the BPU.

FERC - The Federal Energy Regulatory Commission.

Interest Index - the average Federal Funds Effective Rate for the period of time the funds are on deposit. The Federal Funds Effective Rate is published daily on the Federal Reserve website (<http://www.federalreserve.gov/releases/h15/update/>).

Interval Meter or Hourly Meter - is a meter capable of reading and storing electric consumption data at discrete time intervals (e.g. 15 minutes or 1 hour) to enable the measurement of energy and demand as may be required by RECO's Tariff for Electric Service.

ISO: will refer to either PJM OI or the NYISO depending on which control area the Competitive Energy Supply is served. RECO Customers located in Bergen County, NJ are in the PJM Control Area. RECO Customers located in Passaic County, NJ are in the NYISO Control Area.

Kilowatt or kW - unit of measurement of useful power equivalent to 1,000 watts.

License - The permission which a third party supplier must obtain from the BPU pursuant to the Applicable Legal Authorities prior to supplying Competitive Power Supply to retail Customers in New Jersey.

Load Profiles - Statistically developed usage patterns by service class and subclasses to calculate hour-by-hour estimates of energy usage in the absence of Hourly Metering.

Load Serving Entity or "LSE" - an entity that has been granted the authority or has an obligation pursuant to State or local law, regulation or franchise to sell Competitive Energy Supply to end-users located within the NYISO or PJM Control Area as that term is defined by the NYISO or PJM Reliability Assurance Agreement.

Local Distribution System - is comprised of all of O&R's subtransmission and distribution facilities not specifically controlled under an existing or future OATT, including RECO's facilities.

MAAC - the Mid-Atlantic Area Council of the North American Electric Reliability Council or its successor.

Megawatt (MW) - A measure of electrical demand (capacity). 1,000 watts = 1 kilowatt (kW); 1,000 kW = 1 MW.

Meter Read Date - The date on which RECO is scheduled to read a Customer's meter each billing period.

NERC - the North American Electric Reliability Council or its successor.

New York Independent System Operator ("NYISO") - The NYISO coordinates the physical supply of electricity throughout the service territories of New York state utilities and maintains reliability of the bulk power system. The NYISO is to be functionally, financially, and physically separated from the merchant functions in the power generation and transmission markets. The NYISO will coordinate access to the transmission system for market participants who are eligible for access.

Open Access Transmission Tariff ("OATT")- The current FERC-approved Open Access Transmission Tariff for the integrated transmission system operated by Orange and Rockland and its subsidiaries RECO and Pike County Light & Power Company.

Orange And Rockland ("O&R") - Orange and Rockland Utilities, Inc.

PJM - the Pennsylvania-New Jersey-Maryland Interconnection L.L.C.PJM Control Area - that certain Control Area encompassing systems in Pennsylvania, New Jersey, Maryland, Delaware, Virginia and the District of Columbia, as may be modified from time to time, and which is recognized by the North American Electric Reliability Council as the "PJM Control Area."

PJM eSchedules System - software program administered by the PJM OI through which energy load schedules may be submitted.

PJM OI - the PJM Office of Interconnection, the system operator for the PJM Control Area.

PJM Tariff - the prevailing PJM Open Access Transmission Tariff on file with the FERC, which sets forth the rates, terms and conditions of transmission service over transmission facilities located in the PJM Control Area, as is in effect on the date hereof and as modified from time to time.

RAA - the PJM Reliability Assurance Agreement.

Retail Access - A process whereby New Jersey Customers may purchase Competitive Energy Supply from Third Party Suppliers and have it delivered using the Local Distribution System.

Scheduling Coordinator - an entity recognized by the PJM OI and qualified to act on behalf of Supplier in taking such actions with PJM as are necessary in order for Supplier's TPS Responsibilities to be met, including fulfillment of all obligations associated with service to Customers, and including the obligations of a Load Serving Entity under the PJM Tariff, procedures, agreements, and manuals.

Service Territory - The geographic areas of the State of New Jersey in which RECO has an exclusive franchise to serve electric Customers. RECO's Service Territory is set forth in its tariff.

Supplier Of Record - the Third Party Supplier that is listed in the Company's records through the procedures outlined in this Agreement, and thereby recognized by the Company, as a particular Customer's supplier for a particular period of time.

Tangible Net Worth ("TNW") – equals total assets less intangible assets and total liabilities. Intangible assets include benefits such as goodwill, patents, copyrights and trademarks.

Third Party Supplier or TPS - An entity determined to be eligible by the BPU and holding a BPU - issued license to provide Competitive Energy Supply to Customers in accordance with Applicable Legal Authorities.

TPS Charge - Any fee or charge billable by RECO to the Supplier under this Agreement, RECO's tariff, or O&R's OATT related to RECO's provision of TPS Services. Charges for certain TPS services are set forth in Appendix E hereto.

TPS Services - Services provided by RECO to the Supplier, as identified in this Agreement or RECO's tariff or as otherwise necessary or requested by Supplier, in connection with Supplier's provision of Competitive Energy Supply to its Customer via RECO's Local Distribution System, including support for NYISO or PJM-related obligations as set forth in this Agreement, certain scheduling-related functions and reconciliation

Third Party Supplier Customer Account Services Master Service Agreement (“Billing Services Agreement”) – BPU-approved agreement to be executed by Company and Supplier so that Consolidated Billing by either Company or Supplier may be provided;

Transmission - The process of transporting electricity on high voltage lines from the generator to the distribution system. Transmission can be over long distances and power can be transmitted over power lines owned by more than one entity.

Unforced Capacity - shall have the meaning ascribed thereto in the PJM Reliability Assurance Agreement in effect as of November 1998, and as may be modified from time to time.

ARTICLE 2
GENERAL TERMS AND CONDITIONS

2.1 Agreement to Govern. The Parties named in this Agreement are bound by the terms set forth herein and otherwise incorporated herein by reference. This Agreement shall govern the business relationship between the Parties hereto by which the Supplier shall provide Competitive Energy Supply to its retail customers via the RECO Local Distribution System. Moreover, if Supplier elects to either perform Consolidated Billing, or to receive Consolidated Billing service from Company, Supplier must contemporaneously execute a Billing Services Agreement with Company, which agreement shall also govern the relationship between the Parties hereto.

2.2 Conditions Precedent to Company Execution of Agreement. Before RECO executes this Agreement, the Supplier must fulfill the following requirements: (a) satisfy the RECO creditworthiness standards as set forth in Article 7; (b) obtain a license from the BPU and any other governmental approvals required for participation in the New Jersey retail energy market; (c) satisfy all applicable FERC requirements; (d) apply to, register with, obtain certificates from, become a member of, and/or enter agreements with, if appropriate, PJM or the NYISO.

2.3 Condition Precedent to Customer Switching. Before RECO gives effect to customer selection of the Supplier, the Supplier must demonstrate to RECO's satisfaction that the Supplier is equipped with and has tested all communications capabilities necessary to send data to and receive data from RECO in order to satisfy its obligations under this Agreement and all other relevant agreements, including, once applicable under this Agreement, communications capabilities necessary to comply with EDI Standards.

2.4 Parties' Obligations. RECO shall provide such services as necessary for the delivery by the Supplier of Competitive Energy Supply to the Supplier's Customers located within

RECO's Service Territory. The Parties shall exercise due diligence in meeting its obligations and deadlines under this Agreement. RECO and Supplier will cooperate in order to ensure delivery of Competitive Energy Supply to Customers as provided by the Applicable Legal Authorities. The Supplier must make all necessary arrangements for obtaining Competitive Energy Supply in a quantity sufficient to serve its Customers.

2.5 ISO Services and Obligations. The Supplier shall meet all applicable reliability standards, as some may be established, modified, or superseded by: North American Electric Reliability Council ("NERC") or its successor; the Northeast Power Coordinating Council ("NPCL"); the NYISO; the PJM, FERC, the BPU; or any other State, regional, federal or industry body with authority to establish reliability standards.

The Supplier is responsible for procuring those services provided by the ISO that are necessary for the delivery of Competitive Energy Supply to its Customers. In addition, the Supplier must satisfy all obligations which are imposed on load serving entities in the ISO control area. The Supplier must make all necessary arrangements for scheduling the delivery of energy through the ISO. The Company and the Supplier shall coordinate with the ISO to determine the magnitude and location of the Supplier's actual or projected load, as required by the ISO.

2.6 Communications and Data Exchange. Electronic information exchange between the Supplier and RECO under this Agreement shall employ a Supplier identification number, assigned by RECO, which shall be consistent with the Supplier's Dun & Bradstreet Business number. In addition, the Company may also assign to the Supplier identification numbers that may be required by the ISO (once operational) in connection with the provision of Competitive Energy Supply in the Company's Service Territory.

The Supplier must be equipped with the communication capabilities necessary to comply with the standards set by and may, from time-to-time, be modified by the Board, either directly or through a Working Group. Supplier must have in place, and must bear the cost of putting in place and successfully testing prior to the start of Customer assignment, all required information technology systems that will enable it to send and receive data to and from the Company and the NYISO (to the extent applicable) and to satisfy its obligations under this Agreement and all other relevant agreements.

Supplier shall provide RECO with information necessary for the Supplier's Customer to engage in Retail Access in accordance with this Agreement. RECO and O&R utilize integrated Customer accounting and communication systems, and will commence modification to such systems on a system-wide basis in order to accept EDI transactions once both the BPU finalizes and approves its EDI Standards and the New York Public Service Commission completes its EDI proceeding. Upon EDI implementation by RECO, electronic information exchange between Supplier and RECO under this Agreement shall comply with and adhere to the EDI Standards.

Should that Board determine that provision of Competitive Energy Supply by Supplier to Customers in RECO's service territory shall commence prior to RECO's implementation of EDI, electronic data exchanges between Supplier and the Company will be in a standard electronic file format prescribed by the Company. The Company will provide software developed by the Company to be used by the Supplier for submitting power schedules; notices of Customer enrollment, switches and drops; and Customer billing information.

2.7 Record Retention. The Supplier and the Company shall comply with all applicable laws and BPU rules and regulations for record retention, as they are and may, from time to time, be modified.

2.8 Codes of Conduct. The standards or Codes of Conduct promulgated by the BPU pursuant to the Applicable Legal Authorities are expressly incorporated herein by reference.

2.9 Tariffs Incorporated. RECO's Tariff for Electric Service, or any successor Tariff, including the Standard Terms and Conditions, is incorporated by reference herein.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES

3.1 Supplier Representations and Warranties. The Supplier hereby represents, warrants and covenants as follows:

(a) the Supplier is a [corporation/partnership/_____] duly organized and validly existing under the laws of the State of _____, and is authorized to do business and is in good standing in the State of New Jersey;

(b) the Supplier has all requisite power and authority to execute and deliver this Agreement and to carry on the business to be conducted by it under this Agreement and to enter into and perform its obligations hereunder, including Board licensure as a TPS and satisfaction of all applicable FERC requirements, which shall be maintained throughout the life of this Agreement, and the lack of which shall immediately result in the termination of this Agreement;

(c) the execution and delivery of this Agreement and the performance of the Supplier's obligations hereunder have been duly authorized by all necessary action on the part of the Supplier and do not and will not conflict with or result in a breach of the Supplier's charter documents or bylaws or any indenture, mortgage, other agreement or instrument or any statute or rule, regulation, order, judgment, or decree of any judicial or administrative body to which the Supplier is a party or by which the Supplier or any of its properties is bound or subject;

(d) this Agreement is the valid and binding obligation of the Supplier, enforceable in accordance with its terms;

(e) there are no actions at law, suits in equity, proceedings or claims pending against Supplier before any federal, state, foreign or local court, tribunal or government agency or

authority that might materially delay, prevent or hinder the performance by the Supplier of its obligations hereunder;

(f) the Supplier has applied to, registered with, obtained certificates from, become a member of, and/or entered into agreements with, as required, the PJM or NYISO and is in compliance and will continue to comply either directly or through its Scheduling Coordinator, with all obligations, rules and regulations, as established and interpreted by the PJM OI or NYISO that are applicable to the load serving entities serving Customers located in the PJM or NYISO control area; and

(g) the Supplier will comply with any and all information and data transfer protocols that may be adopted by the Company that are set by, and from time to time modified by, the Board. The Supplier will comply with any and all information and data transfer protocols that may be adopted by the Company from time to time, unless the Supplier exercises its reserved right to challenge any such protocols in the appropriate forum.

If the Supplier learns that any of the representations, warranties, or covenants in this Agreement have been violated, the Supplier shall immediately notify the Company via facsimile, with a hard copy of the notice delivered by overnight mail.

3.2 Company Representations and Warranties. The Company hereby represents, warrants and covenants as follows:

(a) that the Company is an electric utility corporation duly organized and validly existing under the laws of the State of New Jersey;

(b) that the Company has all requisite power and authority to carry on the business to be conducted by it under this Agreement and to enter into and perform its obligations hereunder;

(c) that the execution and delivery of this Agreement and the performance of the Company's obligations hereunder have been duly authorized by all necessary action on the part of the Company and do not and will not conflict with or result in a breach of the Company's charter documents or bylaws or any indenture, mortgage, other agreement or instrument or any statute or rule, regulation, order, judgment, or decree of any judicial or administrative body to which the Company is a party or by which the Company or any of its properties is bound or subject; and

(d) this Agreement is the valid and binding obligation of the Company, enforceable in accordance with its terms.

3.3. Survival of Obligations, Notice of Violation. All representations and warranties contained in this Article shall survive the execution of this Agreement.

ARTICLE 4
UTILIZATION OF SCHEDULING COORDINATORS

4.1 Participation Through a Scheduling Coordinator. Supplier may enter into a business arrangement with another participating Supplier or other entity that will act as a Scheduling Coordinator on behalf of Supplier serving Customers in the RECO service territory. A Supplier may act only through a single Scheduling Coordinator. If Supplier uses a Scheduling Coordinator, the Scheduling Coordinator shall be responsible for the Supplier's obligations as a load serving entity, including transmission service obligation, Unforced Capacity Obligation, import capability, load scheduling, and reconciliation rights and responsibilities. All actions of the Scheduling Coordinator related to Retail Access are binding on, and attributable to Supplier.

4.2. Designation of a Scheduling Coordinator. To designate a Scheduling Coordinator, a Supplier must provide RECO with a fully executed Scheduling Coordinator Designation Form, a copy of which is appended hereto as Appendix A. The Scheduling Coordinator Designation Form is not intended to supplement or replace any agency contract between the Supplier and a Scheduling Coordinator.

4.3 Change in or Termination of Scheduling Coordinator. To change a Scheduling Coordinator, or cease using a Scheduling Coordinator, the Supplier shall notify RECO in writing and said notice shall specify the effective month of the change or termination. The effective day of the change or termination shall be the first day of the month indicated in the notification letter unless notification is received by RECO less than 15 days before the first day of that month, in which case the effective day of the change shall be the first day of the subsequent month. In the event the Supplier ceases using a Scheduling

Coordinator, the Supplier shall immediately resume the direct performance of all of the Supplier obligations under this Agreement which the Scheduling Coordinator had performed.

4.4 Primary Obligations of Supplier. Notwithstanding any designation of a Scheduling Coordinator, the Supplier remain responsible for fulfilling all of its obligations and requirements under this Agreement.

ARTICLE 5
COMMENCEMENT AND TERMINATION OF AGREEMENT

5.1 Commencement. The term of this Agreement shall commence on the date of execution by both Parties (the "Effective Date"). Notwithstanding the Effective Date, the Supplier acknowledges that it may commence the provision of Competitive Energy Supply on RECO's Local Distribution System only in compliance with Applicable Legal Authorities, after such date for instituting such service has been approved by the Board, and only after Supplier has complied with all provisions of this Agreement and RECO's Tariff for Electric Service.

5.2 Termination. This Agreement shall or may be terminated as follows:

(a) Withdrawal of the Supplier from Provision of Competitive Energy Supply. In the event the Supplier ceases to participate in or otherwise withdraws from the provision of Competitive Energy Supply to Customers in the Company's Service Territory, and complies with the notice requirements of Article 11, this Agreement shall terminate thirty (30) days following the date on which the Supplier ceases to have any active Customers.

(b) The Company's Termination Rights Upon Default by the Supplier. In the event of a Default by the Supplier as addressed herein, the Company may terminate this Agreement by providing written notice to the Supplier in Default, without prejudice to any remedies at law or in equity available to the Company by reason of the Default.

5.3 Effect of Termination on Customers. If this Agreement should be terminated, any Customer of the Supplier within the Company's Service Territory that has not switched to another Third Party Supplier prior to termination shall receive BGS pending its selection of another Third Party Supplier.

5.4. Survival of Obligations. Termination of this Agreement for any reason shall not relieve the Company or the Supplier of any obligation accrued or accruing prior to such termination.

5.5. Material and Adverse Change in Law or Regulation. If at any time during the term of this Agreement, the FERC, the BPU or other New Jersey State agency, or a court of competent jurisdiction issues an order, or a federal or state law or regulation is enacted, under which a Party hereto believes that its rights and interests under the Agreement are materially and adversely affected by such order, law or regulation, the Party so affected shall, within 30 days of the issuance or enactment of such order, law or regulation, provide the other Party with written notice setting forth in reasonable detail how such order, law or regulation has materially and adversely affected its rights and interests under the Agreement, and may terminate this Agreement, subject to any applicable regulatory requirements and after providing thirty 30 days prior written notice to the non-terminating Party, without any liability or responsibility whatsoever except for obligations arising prior to the date of termination.

ARTICLE 6:
BREACH AND DEFAULT

6.1 Event of Default. An Event of Default under this Agreement shall occur if either Party (“Defaulting Party”) (a) is the subject of a bankruptcy, insolvency or similar proceeding; (b) makes an assignment for the benefit of its creditors; (c) applies for, seeks consent to, or acquiesces in the appointment of a receiver, custodian, trustee, liquidator or similar official to manage all or a substantial portion of its assets; (d) violates any material federal, state or local code, regulation and/or statutes applicable to the provision of Competitive Energy Supply, including by way of the failure to maintain a BPU license, failure to continually satisfy all applicable FERC and ISO requirements, or failure to maintain any other governmental approvals required for participation in the New Jersey retail energy market; or (e) fails to pay the other party (“Non-Defaulting Party”) when payment is due, or to satisfy any other material obligation under this Agreement, such as fulfilling the creditworthiness requirements as set forth in Article 7 below, and fails to remedy the delinquencies set forth in this section (e) within three (3) Business Days (unless such other time frame is set forth in this Agreement) of receipt of written notice thereof from the non-Defaulting Party. Should the Supplier's BPU license, any required status before the FERC or ISO, or any other governmental approval required for participation in the New Jersey retail energy market be revoked or forfeited, however, the Supplier will immediately be in default of this Agreement.

6.2 Rights Upon Default. In an Event of Default, the Non-Defaulting Party shall be entitled to (a) pursue any and all available legal and equitable remedies, in accordance with Article 17 below; (b) terminate this Agreement without any liability or responsibility whatsoever except

for obligations arising prior to the date of termination, by written notice to the Defaulting Party, subject to any applicable regulatory requirements.

ARTICLE 7
CREDITWORTHINESS

7.1 Standards Governing Initial Determinations of Creditworthiness

RECO will be guided by the standards that it employs in routine commercial transactions as it makes an initial determination of whether the Supplier is creditworthy or whether the Supplier, if not creditworthy, has presented satisfactory alternative arrangements. Standards in effect in [January 2005](#) are summarized in Appendices B1 (for Suppliers serving CIEP customers), B2 (for Suppliers serving FP customers) and B3 (for Suppliers serving both CIEP and FP customers), and are subject to modification from time to time, by RECO. The Supplier shall have the right to submit to the Board or the FERC, as appropriate, for resolution, any dispute regarding the RECO's requirements if the Supplier believes such a requirement is inappropriately based or assessed. RECO shall not be obligated to execute this Agreement until said dispute is resolved by a final, non-appealable Order of the Board or the FERC, as appropriate.

In the event that Supplier has elected to perform Consolidated Billing, Supplier will be required to satisfy the creditworthiness requirements contained in the Billing Services Agreement in addition to the creditworthiness requirements set forth herein.

7.2 Materiality of Creditworthiness

The Supplier's creditworthiness, the satisfactory nature of any alternative arrangements that may be made hereunder, and the Supplier's duty to keep RECO informed of developments that may be material to its creditworthiness or to the adequacy of any alternative arrangements in place are all material terms of this Agreement. Creditworthiness or satisfactory alternative arrangements must be maintained on an ongoing basis throughout the term of this Agreement.

7.3 Lapse of Creditworthiness

Should the Supplier's creditworthiness lapse, in RECO's sole and exclusive judgment, or should the Supplier's established alternative arrangements terminate or become unsatisfactory, in the RECO's sole and exclusive judgment, RECO shall provide written notice thereof to the Supplier and may, at its sole and exclusive discretion not sooner than three (3) days thereafter, continue to render service or elect to terminate this Agreement, subject to the Supplier's right to dispute RECO's determination before the Board or the FERC, as appropriate, as set forth below. RECO may condition the continuation of service hereunder on the establishment of new alternative arrangements, satisfactory to RECO in its sole and exclusive discretion. The Supplier shall have the right to submit to the Board or the FERC, as appropriate, for resolution any reasonable dispute regarding RECO's requirements if the Supplier believes such a requirement is inappropriately based or assessed. Submission of such dispute to the Board or the FERC, as appropriate, shall extend the aforementioned three (3) day period for notice of termination, for a period of up to thirty (30) additional days, such that RECO shall have the right to terminate this Agreement upon written notice to the Supplier if the Board or the FERC does not issue a final order resolving the dispute within thirty (30) days of the date that the Supplier first submits the dispute to the Board or the FERC, as appropriate.

7.4 Return of Deposits

Any deposit secured from the Supplier under an alternative arrangement, as defined in appendices B1 and B2, shall be returned to the Supplier with interest when the Supplier becomes creditworthy. If this Agreement is terminated, deposits will be returned with accrued interest

upon payment or deduction of all Charges and other debts that the Supplier may owe RECO, including applicable late fees.

7.5 Interest on Deposits

RECO will allow simple interest on cash deposits calculated at the lower of the Interest Index or six (6) percent. Deposits shall cease to bear interest upon discontinuance of service by the Supplier (or, if earlier, when RECO closes the account).

7.6 Credit Information

In addition to information required otherwise hereunder, the Supplier shall be required to provide to RECO such credit information as RECO reasonably requires from time to time. RECO will report the Supplier's credit history with RECO to a national credit bureau.

7.7 No Endorsement of Supplier

By determining that the Supplier is creditworthy pursuant to the process set forth above, RECO makes no express or implied warranties or guarantees of any kind with respect to the financial or operational qualifications of the Supplier.

ARTICLE 8
CUSTOMER ENROLLMENT AND INFORMATION PROCESS FLOW

8.1 Information to a Selected Supplier. The Supplier must notify its Customers that by signing up for Competitive Energy Supply with the Supplier, the Customer is consenting to the disclosure by the Company to the Supplier of certain basic information about the Customer. At minimum, the notice shall inform the Customer that the following information will be disclosed: the Customer's Company account number, data about meter readings, rate class and electric usage, the Customer's address(es) and telephone number, or as otherwise may be consistent with the Applicable Legal Authorities.

If the Company elects to change a Customer's Company account number, the Company will notify the Supplier via electronic file.

8.2 Procedure to Formalize Selection of Supplier. The Supplier will obtain appropriate authorization from the Customer, or from the person authorized to act on the Customer's behalf, indicating the Customer's choice of the Supplier. The authorization shall include the Customer's acknowledgment that the Customer has received the aforementioned notice. It is Supplier's responsibility to maintain records of the Customer's authorization in the event of a dispute, in order to provide documented evidence of authorization to RECO or the BPU.

Supplier shall provide an electronic enrollment file to RECO consistent with this Agreement, including Section 2.5. Within one business day of receipt of the electronic file, RECO will validate the records contained in the file, and will provide an electronic validation, including the number of records received and the reason for any rejections. Such validation shall

include appropriate control totals such as number of records received, and the reason for any rejections (e.g., invalid account number). Such validation also shall include information the Supplier can use to identify rejected records.

RECO will send a confirmation letter to each Customer within one Business Day of receipt of the electronic enrollment file. Included in this letter shall be notification of a 14 calendar day waiting period, beginning on the day the letter is mailed to the Customer, in which the Customer may notify the Company of an error in the Supplier selection, or a Residential Customer may rescind its selection of a supplier, as appropriate. The confirmation letter shall include the Customer's Name, Address, Company Account Number, the Supplier name and Supplier start date. The Supplier will become the Supplier of Record on the Customer's next Meter Read Date provided that: (1) the 14 day waiting period has expired and the Customer has not contacted RECO to rescind or notify RECO of an error in the Supplier selection; and (2) Supplier provided the electronic enrollment file at least 20 days prior to the Customer's Meter Read Date. If the Customer's Meter Read Date is regularly-scheduled to occur within the aforementioned 20 day period, the selection will take effect on the next subsequent Meter Read Date. If the Customer elects to rescind the Supplier selection, or notifies RECO of an error in the Supplier selection, within the 14-day waiting period, RECO will notify the rejected third party supplier, electronically. In the event the Customer rescinds its Supplier selection, or notifies RECO of an error in the Supplier selection, after the 14-day waiting period, the Customer will be advised that the rescission period has expired, the Supplier switch has been implemented, and if desire, another switch must be in accordance with the normal supplier selection process.

8.3 Change of Third Party Supplier. If a Customer contacts a new TPS to request a change of TPS and the new TPS agrees to serve the Customer, the Customer's new TPS shall

obtain appropriate authorization from the Customer or person authorized to act on the Customer's behalf indicating the Customer's choice of TPS, and shall thereupon follow the foregoing Procedure to Formalize Selection of Supplier.

Once the preceding process is complete, RECO will notify the Customer's prior TPS that the Customer has elected to terminate service from that TPS.

8.4 Requests to be Directed to Supplier If a Customer contacts the Company to request initial service from a TPS, or to request a change of TPSs, the Company will inform the Customer that the TPS must be contacted directly with the request.

8.5 Switch from Third Party Supplier to BGS. If a Customer contacts RECO to request a change from the Supplier to RECO's tariffed BGS, RECO will process the request as follows. RECO will send the Customer a confirmation letter notifying the Customer of the right to rescind the request by contacting the Company within 14 days of the date on the confirmation letter. If the Customer does not rescind the request, the request will take effect, and RECO will commence the provision of BGS, on the first Meter Read Date that follows the Customer's request for a change by at least 20 days. RECO will notify the Customer's prior Supplier of the switch.

8.6 Customer Discontinuation of Service. If electric service to a Customer is discontinued for any reason, RECO will notify the current Supplier, via electronic file, of the discontinuance of service for the account at the Customer's location. If available, the Company will provide the Supplier that served the Customer at the old location with the Customer's new mailing address or forwarding address. The Customer must directly contact any Third Party Supplier to initiate service from that Third Party Supplier at the new location.

8.7 Provisions relating to the Supplier's Customers. The Supplier shall be solely responsible for having all necessary and appropriate contractual or other arrangements with its Customers, consistent with the Applicable Legal Authorities and with this Agreement. RECO shall not be responsible for monitoring, reviewing or enforcing such contracts or arrangements.

Nothing in this Agreement is intended to prevent Supplier and a Customer from agreeing to reallocate between them any charges that this Agreement imposes on the Supplier, provided that any such agreement shall not change in any way the Supplier's obligation to pay such charges to RECO. Any such agreement shall not confer upon RECO any right or obligation to seek recourse directly from the Supplier's Customer for any charges owed to RECO by the Supplier.

8.8 Customer Obligations. Customers of the Supplier remain bound by the rules and requirements of the applicable Tariff under which they receive service from RECO, with respect to any such service and nothing hereunder shall be construed to alter the rules and requirements of the Applicable Legal Authorities..

8.9 Indemnification The Supplier shall defend, indemnify and hold harmless the Company from and against any and all claims and/or liabilities for losses, expenses or any other liability incurred by the Company, including reasonable attorney's fees, relating to or arising out of any action taken by the Company in reliance on the Supplier's representation that it had obtained a Customer consent required to be obtained herein, to the extent the Customer disputes the giving of such consent.

ARTICLE 9
PROCEDURES FOR ENERGY SCHEDULING, CAPACITY RESOURCE SUBMISSION
AND TRANSMISSION PROCUREMENT

This Article is subject to change to reflect any relevant changes implemented by the ISO.

The Supplier must adhere to any applicable operational requirements of the ISO and RECO necessary to protect the integrity of the transmission system within the ISO Control Area, transmission systems of interconnected control areas, and the Company's Local Distribution System, and must satisfy any and all NYISO, PJM, MAAC and NERC criteria, where applicable.

RECO and Supplier agree that the methodology used to determine customers' peak load shares should adhere to the following principles: (a) the sum of all individual customer peak load shares in a zone should equate to the zonal peak load contributions utilized in the ISO determination of the zonal obligations for capacity (see Appendix D) and Network Integration Transmission Service, adjusted for contributions associated with customer turnover, or such methodology as may change from time to time to comply with ISO rules; (b) the allocation for a particular customer should be independent of whether that customer is being served by the RECO or the Supplier.

The Supplier will provide any and all necessary data required by RECO to assure integrity of the load obligation calculation process.

9.1 Load Profiling. RECO and the Supplier recognize that the hourly metering of certain Customers may not be economically feasible. In order to enhance the opportunity to sell to these types of Customers, RECO will provide the Supplier with historical load research data. The load research information may be updated throughout the duration of this Agreement at the Company's sole and exclusive discretion. Updated load profiles shall be made available to the

Supplier when available. Although RECO believes the information is accurate and correct to the best of the RECO 's knowledge and belief, for its originally-intended purposes, RECO makes no representations or warranties as to the accuracy or usefulness of the information and takes no responsibility for the Supplier's use of the information. RECO will use load research information for the purpose of determining the Supplier's obligations with respect to individual Customer Unforced Capacity, hourly energy and firm transmission requirements.

The Company's load profiling methodology was filed with the Board in In the Matter of the Energy Master Plan Phase II Proceeding to Investigate the Future Structure of the Electric Power Industry and In the Matter of the Electric Restructuring Plans Filed by Atlantic City Electric, Jersey Central Power & Light Company, d/b/a GPU Energy, Public Service Electric & Gas Company, and Rockland Electric Company, Respectively, Regarding Their Electric Restructuring Plans, Docket Nos. EX94120585Y, EO97070457, EO97070460, EO97070463, EO97070466, on or about November 18, 1998. A copy of the filed methodology is attached hereto as Appendix D.

9.2 Updates to Typical Load Profile Data RECO shall review periodically its load profiling methodology and algorithms, and shall update the load profiles as needed.

9.3 Load Obligations

The Company and the Supplier acknowledge that the Supplier's Customers are within the Company's metered boundaries and that metered Customer loads must be translated into Supplier load allocations in order for Load Serving Entities to meet their respective ISO obligations.

These load obligations are included in Appendix D and include, but are not limited to, hourly energy obligations, Unforced Capacity obligations, and if applicable, firm transmission obligations under the PJM OATT .

9.3 (a) Energy

The procedures for transmitting load obligations for the Supplier's hourly energy are as set forth by the ISO. When hourly metering data is not available for billing, the Supplier's hourly energy obligations will be developed utilizing the Company's load profiling methodology set forth in Appendix D.

9.3 (b) Capacity

The procedures for transmitting the Supplier's peak load contribution to be used by the the ISO to determine the Supplier's Unforced Capacity obligations are as set forth by the ISO.

9.3 (c) Transmission

The procedures for transmitting the peak load contribution based upon which the Supplier will meet its obligations under the PJM OATT are as set forth by PJM.

9.4 Energy Scheduling

The Company will not provide load forecasting services. The Supplier is responsible for forecasting its customer load, and shall schedule energy resources to meet its obligations with the ISO as provided for in the ISO Agreements, procedures, and manuals. The Company shall provide ISO and the Supplier with the data regarding the Supplier's energy obligations for the Supplier's customers, as set forth by the ISO. Moreover, on an interim basis until PJM implements a system that makes Suppliers financially bound by their load forecasts, the Supplier must transmit its forecast energy obligation to the Company based on the amount of energy it believes its customers will use.

ARTICLE 10
RECONCILIATION/SETTLEMENT PROCESS

This Article is subject to change to reflect any relevant changes implemented by the ISO.

10.1 Energy Settlement By ISO The settlement process occurs at ISO to reflect the customer's actual consumption, adjusted for losses, in a supply/usage reconciliation process.

Losses associated with the use of the transmission and distribution systems will be assessed based on the Supplier's customer usage. Customer usage will be adjusted for losses by customer voltage level and will be based on the loss factors contained in RECO Tariff for Electric Service.

10.2 Energy Settlement by the Company

In the event that actual customer consumption data is not available until after the ISO deadline for conducting settlement, RECO will conduct the settlement process with the Supplier. Should the ISO impose penalties against the Company as a result of the Supplier's transactions and/or failure to meet ISO requirements, such penalties shall be passed through by RECO, to the Supplier as part of this settlement process. Moreover, all other applicable charges from the ISO, including any billing adjustments, will be appropriately allocated to the Supplier.

ARTICLE 11
SUPPLIER RETAIL OBLIGATION/SUPPLIER'S DISCONTINUANCE OF
CUSTOMERS OR WITHDRAWAL FROM COMPETITIVE ENERGY SUPPLY

11.1 Advance Notice to the Company and Customers If the Supplier intends to discontinue service to one or more Customers or to withdraw altogether from the provision of Competitive Energy Supply in the Company's Service Territory, the Supplier shall provide notice to all affected Customers and electronic notice to the Company, in a manner consistent with the Applicable Legal Authorities and the provisions of this Agreement. Final notice to the Company shall be provided in an electronic form conforming to standards set by the Board or other interim standards mutually agreed to by the Parties. Such final notice shall be irrevocable.

If the Supplier intends to "drop" or discontinue supply service to any Customer not comprising all of the Supplier's Customers within an entire Service Classification as defined in RECO Tariff for Electric Service, the Supplier shall provide a minimum of thirty (30) calendar days' notice to the Customer. The Supplier shall provide an electronic (EDI, e-mail, other) copy of such notice to the Company if the Company has previously requested copies of all such notices and shall provide the Company with the final notice of the Customer "drop", in electronic form, by no less than fifteen (15) days in advance of said Customer's next Meter Read Date. Discontinuation must take effect on the affected Customer's or Customers' Meter Read Date(s).

If the Supplier intends to withdraw altogether from the provision of Competitive Energy Supply in the Company's Service Territory, the Supplier shall provide the Company and the Board with a minimum of ninety (90) days' notice of the Supplier's intention. Further, the Supplier shall provide ninety (90) days' notice if it intends to "drop" or discontinue supply service to all of its Customers from one or more of the Company's rate or service classes, as defined in

the Company's retail tariff, and the Customer group being "dropped" or discontinued fulfills either formulation A or B of the test set forth below:

A. said group of Customers is comprised of at least 25 Customers

or

B. said group of Customers represents at least two (2) percent of the Company's capacity obligation for the rate or service class in question
and
said group of Customers is comprised of at least four Customers.

Notice to the Company shall be both written and electronic. The electronic notice shall identify each Customer being dropped, in accordance with the notice requirements for switching. The Supplier shall also notify each affected Customer a minimum of thirty (30) days prior to the drop.

The Company shall provide electric service to the Customer on the effective date of the cancellation of the Customer Supply Agreement, in accordance with the Company's applicable and prevailing tariff rates and the Applicable Legal Authorities, unless the Customer engages another Third Party Supplier. Such arrangements with another TPS would be subject to the initiation and verification procedures of the Applicable Legal Authorities and the Company's Third Party Supplier Agreement with the TPS in question.

11.2 Effective Date of Discontinuance Any discontinuance will take effect on the Meter Read Date, and in accordance with the provisions of this Agreement that govern a Customer's changes of TPS.

11.3 Costs for Noncompliance Should the Supplier fail to satisfy the notice requirements, the Supplier shall reimburse the Company for any costs associated with such failure

that are reasonably incurred under the circumstances that prevail at the time the Company addresses the failure, including:

- (i) mailings by the Company to the Supplier's Customers to inform them of the withdrawal and their options;
- (ii) non-standard/manual bill calculation and production performed by the Company;
- (iii) Company performance of any of the Supplier's data transfer responsibilities;
- (iv) charges or penalties imposed on the Company by NYPP/NYISO or other third parties resulting from the Supplier's non-performance; and
- (v) unplanned replacement capacity and/or energy obligations.

11.4 Dispute Between the Supplier and its Customer In the event of a dispute between the Supplier and a Customer as to termination of their agreement with each other, the Supplier shall remain financially responsible to the Company for energy and capacity provided to the Customer by the Company while the Supplier was the Customer's Supplier of Record, subject to and consistent with the Applicable Legal Authorities.

ARTICLE 12
SUPPLIER CHARGES, BILLING AND PAYMENT

12.1 Supplier Payment of Obligations to the Company. Supplier agrees to pay TPS Charges and adjustments to prior invoices. Certain TPS Charges are set forth in Appendix E hereto.

The Supplier shall make all payments and pay all charges required under this Agreement as follows:

(a) Billing Procedure - Each Billing Month RECO shall issue invoices to the Supplier for TPS charges and adjustments to prior invoices. The Supplier shall make payment for charges incurred on or before the due date shown on the bill. The due date shall be determined by the Company and shall not be less than fifteen (15) days from the date of transmittal of the invoice.

The Parties agree that if RECO is providing consolidated billing service for Supplier, RECO will "net" or offset its remittance payments to Supplier under Section 13.2(8) by the amounts due and owing to RECO prior to rendering payment to Supplier.

(b) Billing Corrections. Invoices shall be subject to adjustment for any arithmetic errors, computation errors, meter reading errors, or other errors, provided that the Company's retail tariff and the Applicable Legal Authorities permit the Company to make adjustment with the Customer for such errors, and provided that the errors become known within the period of time in which such adjustment with the Customer is permitted by the Company's retail tariff and the Applicable Legal Authorities.

(c) Manner of Payment. The Supplier shall make payment of funds payable to RECO by wire transfer to a bank designated by the Company.

(d) Billing Disputes. If the Company does not receive any written notice from the Supplier of an objection to an invoice within twenty (20) days from due date of the invoice in question, said invoice shall be deemed conclusive and binding on the Supplier. If a good faith dispute arises between the Company and the Supplier regarding an invoice, the disputing Party shall pay only the undisputed portion of the invoice, if any, and shall present the dispute in writing and submit supporting documentation to the non-disputing Party within 20 days from the due date of the invoice in question. Billing disputes shall be addressed promptly, and in accordance with the dispute resolution procedures set forth in Article 17.

(e) Late Fee for Unpaid Balances. If payment is made to the Company after the due date shown on the bill, a late fee will be added to the unpaid balance, including arrears and unpaid late fee charges, until the entire unpaid balance is paid. This late fee will be 1.5% per month on the unpaid balance.

12.2 Billing for Supplier's Obligations to Other Parties. The Company will assume no responsibility for billing between the Supplier and the ISO, the Supplier and any energy source, or between a Scheduling Coordinator and any Supplier.

ARTICLE 13:
RETAIL CUSTOMER BILLING AND PAYMENT COLLECTION

13.1 Customer Choice of Billing Option

13.2 RECO Consolidated Billing Service

13.3 Separate Bills from the Supplier and RECO

**[Above Headings retained for historical record purposes; sections has been
superseded by Billing Services Agreement]**

13.4 No Supplier Termination of Service. The Supplier will not be permitted to physically terminate electric service to a Customer.

ARTICLE 14
RETAIL METERING SERVICES

14.1 Meters. The meters used by the Company to assess distribution charges will be the same meters used for Supplier customer billing. Only Company-owned, Company-installed and Company-read meters will be used to determine customer usage.

14.2 Measurement and Reading. Only a Company approved interchange meter or a Company meter and recording device will be used to measure energy supplied by the Supplier. All Customers shall have their electric energy deliveries metered and read in accordance with applicable BPU regulations.

14.3 Tariff Additional terms, conditions and requirements applicable to metering service are contained in the Company's prevailing Tariff for Electric Service, which is incorporated by reference herein.

ARTICLE 15
SYSTEM OPERATIONS

15.1 Disconnection and Curtailment. RECO shall have the right to disconnect (or otherwise curtail, interrupt or reduce service to) the Supplier and the Supplier's Customers whenever RECO reasonably determines, or when RECO is directed by PJM, NYISO or the BPU, that such a disconnection, curtailment, interruption or reduction is necessary: to facilitate construction, installation, maintenance, repair, replacement or inspection of any of RECO's facilities; to maintain the safety and reliability of RECO's electrical system; or due to any other reason, including Emergencies, forced outages, potential overloading of RECO's transmission and/or distribution circuits, or Force Majeure.

15.2 Reasonable Efforts. RECO shall use reasonable efforts to: (a) minimize any scheduled curtailment, interruption or reduction to the extent practicable under the circumstances; (b) provide the Supplier with prior notification of any such curtailment, interruption or reduction, to the extent practicable; and (c) resume service as promptly as practicable.

15.3 ISO Requirements. The Supplier acknowledges and agrees that, as a member of PJM and the NYISO, RECO is bound by all ISO operating instructions, policies and procedures as are currently set forth, as may be revised from time to time, which are needed to maintain the integrity of the ISO System. Supplier acknowledges and agrees that it will cooperate with RECO so that RECO will be in compliance with all ISO Emergency Operations Procedures, which include, but are not limited to, those procedures pertaining to minimum and maximum generation emergencies, and measures requiring involuntary Customer participation, such as supply voltage reduction or full interruption of Customer load by either manual or automatic means.

15.4 Compliance with Governmental Directives. The Supplier also acknowledges and agrees that RECO may need to act in response to governmental or civil authority directives, which may affect Customer load. Supplier agrees to cooperate with RECO in order to comply with said directives.

ARTICLE 16
CONFIDENTIALITY OF INFORMATION

16.1 Customer Specific Information. The Supplier shall keep all Customer-specific information supplied by RECO confidential unless the Supplier has obtained the Customer's authorization to do otherwise.

16.2 Company Information. All RECO information available to the Supplier in connection with the provision of coordination services, including, but not limited to, rate class load profile data, and information regarding RECO, computer systems, or communications systems shall not be disclosed to third parties without appropriate express written authorization and/or consent.

16.3 Non-Public Credit Support Data. All non-public financial data provided by Supplier for the purpose of making creditworthiness determinations under Appendixes B1, B2 and B3 hereunder, which financial data has been identified by Supplier as confidential, shall not be disclosed to third parties without authorization and/or consent from Supplier; provided, however, that RECO shall be entitled to make such financial data available to the BPU or the staff of the BPU without such authorization and/or consent from Supplier.

ARTICLE 17
DISPUTE RESOLUTION

17.1 Informal Resolution of Disputes. The Company and the Supplier shall use good faith and commercially reasonable efforts to informally resolve all disputes arising out of the implementation of this Agreement. The Supplier's point of contact for all information, operations, questions, and problems shall be the Company's Energy Services and Delivery Group and the Company Website. Any dispute between the Company and the Supplier under this Agreement may be referred to a designated senior representative of each of the Parties for resolution on an informal basis as promptly as practicable.

17.2 Recourse to Agencies or Courts of Competent Jurisdiction Nothing in this Agreement shall restrict the rights of either Party to file a complaint with the FERC under relevant provisions of the Federal Power Act ("FPA"), with the Board under relevant provisions of the Applicable Legal Authorities, with a New Jersey State court of competent jurisdiction, or with a federal court of competent jurisdiction situated in the State of New Jersey.

ARTICLE 18
FORCE MAJEURE

The Company and the Supplier shall use due diligence to perform their respective obligations under this Agreement. However, in the event that either Party is delayed in or prevented from performing or carrying out its obligations under this Agreement by reason of an event of Force Majeure which by the exercise of due diligence and foresight the Party could not reasonably have been expected to avoid and which by the exercise of due diligence the Party is unable to overcome, such Party shall not be liable to the other Party for or on account of any loss, damage, injury or expense resulting from or arising out of such delay or prevention; provided, however, that the Party encountering such delay or prevention shall give the other Party prompt notice thereof and shall use due diligence to remove the cause or causes thereof. Events of Force Majeure include a catastrophic weather condition, flood, fire, lightning, epidemic, quarantine, war, sabotage, act of a public enemy, earthquake, insurrection, riot, civil disturbance, strike, work stoppage caused by jurisdictional and similar disputes, restraint by court order or public authority, or action or non-action by or inability to obtain authorization or approval from any governmental or other authority, including PJM or NYISO. The settlement of strikes and labor disturbances shall be wholly within the sole discretion of the Party experiencing that difficulty. Economic hardship of either Party shall not constitute a Force Majeure under this Agreement.

ARTICLE 19
REGULATORY AUTHORIZATIONS AND JURISDICTION

19.1 Compliance With Applicable Legal Authorities. RECO and Supplier are subject to, and shall comply with, all existing or future applicable federal, state and local laws, all existing or future duly promulgated orders or other duly authorized actions of governmental authorities having jurisdiction over such matters. RECO will not violate, directly or indirectly, or become a party to a violation of any applicable federal, state or local statute, regulation, rule or order in order to provide service to Supplier. RECO's obligation to provide service is subject to the condition that all requisite governmental and regulatory approvals for the provision of such service will have been obtained by the parties and will be maintained in force during such period of service.

19.2 Changes in Applicable Legal Authorities. This Agreement is subject to change in the future to reflect any FERC-required changes in the pricing mechanism, structure and/or operations of the PJM or NYISO, and to reflect any relevant changes required by the BPU or other New Jersey state agency having jurisdiction, or by virtue of any federal or state law or regulation, and such changes shall be deemed to be binding upon the Parties, except where the right to terminate is exercised in accordance with Article 5 above.

19.3 FERC Jurisdiction. The inclusion of FERC-jurisdictional matters within the scope of this Agreement is intended solely for informational purposes and is not intended to accord any jurisdictional authority over such matters to the BPU. If anything stated herein is found by the FERC to conflict with or to be inconsistent with any provision of the Federal Power Act ("FPA"), or any rule, regulation, order or determination of the FERC under the FPA, the applicable FERC rule, regulation, order or determination of the FPA shall control. To the extent

required under any provision of the FPA, or any rule, regulation, order or determination of the FERC under the FPA, RECO shall secure, from time to time, all appropriate orders, approvals and determinations from the FERC necessary to support this Agreement.

ARTICLE 20
LIMITATION OF LIABILITY

20.1 Limitation on Liability for Delivery Service. The Company does not guarantee continuous, regular and uninterrupted supply of service. Without limiting the Company's rights, the Company may, without liability, disconnect, curtail, interrupt or reduce service to the Supplier and Supplier's Customer pursuant to Section 15.1. The Company shall have the same duties and limitations on liability for distribution service to Supplier and its customers as to those customers receiving electric energy and capacity from the Company. The Company shall not be liable to the Supplier for any loss or damage, direct or indirect, resulting from any such disconnection, curtailment, interruption or reduction.

20.2 Additional Limitations on Liability Neither Party shall have any liability to the other Party for consequential, indirect, special or punitive damages, including lost profits or lost revenues, arising out of such Party's errors and omissions for activities under this Agreement not covered by Section 20.1. As a result, liability hereunder for such activities is limited to direct damages. Other than its duty to deliver electric energy and capacity, which is governed by Section 20.1, the Company shall have no duty or liability to the Supplier providing Competitive Energy Supply based on the rights and responsibilities that exist under the contract or other relationship between the Supplier and a Customer of the Supplier.

The Company shall implement Customer selection of a Supplier consistent with the Applicable Legal Authorities and shall have no liability to the Supplier arising out of or related to Customers' decisions in switching among the Suppliers.

This Agreement does not create any duty or liability to Customers for the errors or omissions of the Company or the Supplier. If any liability for a Customer's lost savings arising out of an error or omission in customer enrollment or switching should be imposed upon a Party by the Applicable Legal Authorities, and analysis of the EDI transaction trail for the transaction at issue demonstrates that the error or omission was caused by the other Party, the financial responsibility for that liability shall be assumed by such other Party.

20.3 Possession and Control of Electric Energy. For purposes of indemnification, the Company shall be deemed to possess and control the electric energy produced by the Supplier upon receipt thereof (at the Company's distribution facility, at the ISO bus, or at the point of receipt as it may otherwise be defined by the Applicable Legal Authorities), until the electric energy is delivered to the Customer or for the Customer's account at the point of delivery (at the Customer's meter, or at the point of delivery as it may otherwise be defined by the Applicable Legal Authorities). The Supplier shall be deemed to possess and control the electricity prior to such receipt by the Company. Subject to the provisions of this Article, the Party in possession and control (the "Indemnifying Party") will indemnify the other Party (the "Indemnified Party") for liability arising out of such possession and control.

ARTICLE 21
INDEMNIFICATION

21.1 Indemnification. Should a Party (the “Indemnified Party”) become the defendant in, or obligor for, any claims and/or liabilities for losses, expenses, damage to property, injury to or death of any person including a Party’s employees or any third parties, that were caused by an act or omission of the other Party, for which that other Party has assumed liability under the terms of this Agreement (the “Indemnifying Party”), the Indemnifying Party shall defend (at the Indemnified party’s option), indemnify and hold harmless the Indemnified Party from and against any and all such claims and/or liabilities, except to the extent that the losses, expenses or damage were caused wholly or in part by any negligent or willful act or omission of the Indemnified Party. The Indemnified Party may, at its own expense, retain counsel and participate in the defense of any such suit or action.

21.2 Survives Agreement. The obligation of either Party to indemnify and hold harmless the other Party under this Article shall survive termination of this Agreement, and shall not be limited in any way by any limitation on the amount or type of damages, compensation or benefits payable by or for either Party under any statutory scheme, including, without limitation, under any Worker’s Compensation Acts, Disability Benefit Acts or other Employee Benefit Acts.

21.3 Implementation of Change in Supplier. It is specifically understood and agreed, without limiting Company's right to indemnification under this Article, that Supplier shall indemnify Company from and against all claims and/or liabilities arising out of the switching of Customers to Competitive Energy Supply service by Supplier, under the procedures in Article 8, including but not limited to "slamming", as that term may be defined by the Board.

ARTICLE 22
MISCELLANEOUS

22.1 Notices. Unless otherwise stated herein, all notices, demands or requests required or permitted under this Agreement shall be in writing and shall be personally delivered or sent by overnight express mail, courier service or facsimile transmission (with the original transmitted by any of the other aforementioned delivery methods) addressed as follows:

If to the Supplier to:

Third Party Supplier
Attn:
Telephone:
Fax:

If to the Company to:

Rockland Electric Company
Manager—Retail Access
390 W. Route 59
Spring Valley, NY 10977,
845-577-3121
845-577-3628 (FAX)

or to such other person at such other address as a Party shall designate by like notice to the other Party. Notices received after the close of the Business Day shall be deemed received on the next Business Day.

22.2 No Prejudice of Rights. The failure of either Party to insist on any one or more instances upon strict performance of any provisions of this Agreement, or to take advantage of any of its rights hereunder, shall not be construed as a waiver of any such provisions or the relinquishment of any such right or any other right hereunder, which shall remain in full force and effect. No term or condition of this Agreement shall be deemed to have been waived and no

breach excused unless such waiver or consent to excuse is in writing and signed by the Party claimed to have waived or consented to excuse.

22.3 Gratuities to Employees. The Company prohibits its employees from using their official positions for personal financial gain, or from accepting any personal advantage from anyone under circumstances which might reasonably be interpreted as an attempt to influence the recipients in the conduct of their official duties. The Supplier and its employees and representatives shall not, under circumstances which might reasonably be interpreted as an attempt to influence the recipients in the conduct of their duties, extend any gratuity or special favor to employees of the Company.

22.4 Assignment. Neither Party shall assign any of its rights or obligations under this Agreement without obtaining: (a) any necessary regulatory approval(s); and (b) the prior written consent of the non-assigning Party, which consent shall not be unreasonably withheld. No assignment of this Agreement shall relieve the assigning Party of any of its obligations under this Agreement until such obligations have been assumed by the assignee. Any assignment in violation of this Section shall be void. However, RECO may assign any or all its rights and obligations under this Agreement, without the Supplier's consent, to any entity succeeding to all or substantially all of the assets of the Company, if such assignee agrees to be bound by all of the terms and conditions hereof and if necessary, regulatory approvals are obtained.

22.5 Governing Law. To the extent not subject to the jurisdiction of the FERC, all questions concerning the validity, operation, interpretation and construction of this Agreement will be governed by and determined in accordance with the laws of the State of New Jersey without regard to principles of conflicts of law. Any lawsuit between RECO and Supplier arising in connection with this Agreement shall be brought in the state or federal Courts of New Jersey.

22.6 Headings. The headings and subheadings contained in this Agreement are used solely for convenience and do not constitute a part of the agreement between the Parties hereto, nor should they be used to aid in any manner in the construction of this Agreement.

22.7 Third Party Beneficiaries. This Agreement is intended solely for the benefit of the Parties hereto. Nothing in this Agreement shall be construed to create any duty, or standard of care with reference to, or liability to, any person not a party to this Agreement.

22.8 General Miscellaneous Provisions.

(a) This Agreement shall not be interpreted or construed to create an association, joint venture, or partnership between the Parties, or to impose any partnership obligation or liability upon either Party. Neither Party shall have any right, power, or authority to enter into any agreement or undertaking for, or on behalf of, or to act as or be an agent or representative of, or to otherwise bind, the other Party.

(b) Cancellation, expiration or earlier termination of this Agreement shall not relieve the Parties of obligations that by their nature survive such cancellation, expiration or termination, including without limitation warranties, remedies, promises of indemnity and confidentiality.

(c) Should any provision of this Agreement be held invalid or unenforceable, such provision shall be invalid or unenforceable only to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable any other provision hereof unless it materially changes the Agreement of the Parties.

(d) Each of the Parties hereto acknowledges that it has read this Agreement, understands it, and agrees to be bound by its terms. This Agreement is intended by the Parties as a final expression of their agreement. The Parties further agree that this Agreement is the complete and exclusive statement of agreement and supersedes all proposals (oral or written),

understandings, representations, conditions, warranties, covenants and all other communications between the Parties relating thereto.

22.9 Taxes. All present or future federal, state, municipal or other taxes imposed by any taxing authority by reason of a sale to the Supplier's Customers under this Agreement shall be the liability of the Supplier. The Supplier shall pay all such taxes to the applicable taxing authority to the extent required or permitted by law. If any transaction is exempt from the payment of any such taxes, the Supplier will, if requested, provide the Company with valid tax exemption certificates. Should the Company be required to remit any such taxes directly to any applicable taxing authority, other than taxes previously collected by the Company directly from the Supplier's Customers, the Supplier will defend and indemnify the Company and will pay to the Company all such tax amounts upon demand.

22.10 Use of the Word "Including". The word "including" when following any general statement or term, is not to be construed as limiting the general statement or term to the specific items or matters, but rather as permitting the general statement or term to refer to all other items or matters that could reasonably fall within its broadest possible scope.

22.11 Federal Acquisition Regulation If any of the following clauses prescribed by the Federal Acquisition Regulation ("FAR"), 48 Code of Federal Regulations Chapter 1 should be deemed to apply to this Agreement, the Supplier shall comply with the requirements of such clause(s), and shall include the terms or substance of such clause(s) in its subcontracts, as and to the extent required by the FAR:

- 1) Clean Air and Water: §52.223-2;
- 2) Contract Work Hours and Safety Standards Act-Overtime Compensation: §52.222-4

- 3) Equal Opportunity: §52.222-26;
- 4) Affirmative Action for and Employment Reports on Special Disabled and Vietnam Era Veterans: §52.222-35 and §52.222-37;
- 5) Affirmative Action for Handicapped Workers: §52.222-36;
- 6) Utilization of Small Business Concerns and Small Disadvantaged Business Concerns and Small Business and Small Disadvantaged Business Subcontracting Plan: §52.219-8 and §52-219-9.

In case of a conflict between the provisions of the FAR and the balance of this Agreement, the requirements of the FAR shall prevail.

22.12 Amendment This Agreement, including the appendices hereto, cannot be amended without the approval of the Board, and requests for such approval can be initiated only upon written notice to all Parties.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be signed by their duly authorized representatives as of the date first set forth above.

ROCKLAND ELECTRIC COMPANY

SUPPLIER

By: _____

By: _____

Name:

Name:

Title

Title:

APPENDIX A

SCHEDULING COORDINATOR DESIGNATION FORM

1.0 This Scheduling Coordinator Designation Form, dated _____, is being submitted to Rockland Electric Company (the "Company") by the following Third Party Electric Power Supplier (the "Supplier"):

2.0 By submitting this form, the Supplier hereby notifies the Company that it has appointed the following entity to act as its Scheduling Coordinator in accordance with the Third Party Supplier Agreement between the Company and the Supplier, dated _____ (the "Agreement"):

3.0 The Scheduling Coordinator thus appointed by the Supplier shall be responsible for the performance of all Coordination Obligations of the Supplier, including load scheduling, unforced capacity obligations, import capability, and reconciliation rights and responsibilities.

4.0 The Company may utilize the Scheduling Coordinator as the sole point of contact with the Supplier in connection with the Company's provision of TPS Services if the Supplier so requests.

5.0 The Supplier agrees that the Company may bill the Scheduling Coordinator directly for all TPS Charges attributable to the Supplier and that the Scheduling Coordinator will pay the Company such Charges on behalf of the Supplier in accordance with the terms and conditions in the Agreement.

6.0 The Supplier and its appointed Scheduling Coordinator shall comply with all terms and conditions of the Agreement, including those pertaining to Scheduling Coordinators and to payment and billing.

7.0 All inquiries, communications or notices relating to the Supplier's use of the Scheduling Coordinator designated above may be directed to the following representatives:

To the Supplier:

Attn.: _____
Title: _____
Telephone: _____
Facsimile: _____
Internet email: _____

To the Scheduling Coordinator:

Attn.: _____
Title: _____
Telephone: _____
Facsimile: _____
Internet email: _____

8.0 The Agreement is incorporated herein by reference and made a part hereof. All capitalized terms used, but not defined, in this designation form shall have the meaning stated in the Agreement.

9.0 The Supplier has executed this designation form below by its duly authorized representative as follows:

Signature: _____
Name: _____
Title: _____
Date: _____

10.0 The Supplier has obtained the following Acknowledgment and Consent to this designation, which is executed below by the duly authorized representative of the Scheduling Coordinator:

Acknowledgment and Consent

Intending to be legally bound thereby, the duly authorized representative of the above-designated Scheduling Coordinator has executed this document below to acknowledge and consent to its appointment as a Scheduling Coordinator, and to further state its agreement to abide by the terms and conditions of its designation set forth above in the Scheduling Coordinator Designation Form prepared by the Supplier, including the terms and conditions of the Agreement which is incorporated therein by reference.

Signature: _____
Name: _____
Title: _____
Date: _____

-

APPENDIX B1

CREDITWORTHINESS STANDARDS FOR SUPPLIERS SERVING CIEP

CUSTOMERS

The Company will determine whether a given supplier is creditworthy. .

A Supplier or its Guarantor is deemed creditworthy upon meeting the following requirements: (1) must be rated by at least two of the following rating agencies: Standard & Poor's Rating Services ("S&P"), Moody's Investors Service, Inc. ("Moody's"), or Fitch, Inc. ("Fitch"), and (2) must have a minimum senior unsecured debt rating (or, if unavailable, corporate issuer debt rating discounted one notch) of at least "BBB-" from S&P, "Baa3" from Moody's, or "BBB-" from Fitch (a "Minimum Rating"). In case of split ratings, the lowest rating will be used. In all instances, the most current senior unsecured debt rating (or, if unavailable, the most current corporate issuer debt rating discounted one notch) will be used.

A Supplier or its Guarantor that satisfies the aforementioned criteria will be granted an Unsecured Line of Credit ("ULC"). The ULC will be used by the Suppliers or its Guarantors solely to partially or fully cover the credit exposure as defined below.

The maximum level of the ULC will be determined based on the following table:

Credit Rating of the Supplier			Max. Unsecured Line of Credit
S&P	Moody's	Fitch	
A- and above	A3 and above	A- and above	16% of TNW
BBB+	Baa1	BBB+	10% of TNW

BBB	Baa2	BBB	8% of TNW
BBB-	Baa3	BBB-	6% of TNW
Below BBB-	Below Baa3	Below BBB-	0% of TNW

where TNW is the Tangible Net Worth.

The Supplier must also provide the Company with its most recent independently-audited financial statements or, if the Supplier is a publicly held firm, its most recent Form 10-K and Form 10-Q. On an ongoing basis, the Supplier must continue to provide the Company with updated versions of all of the above, as they become available. Specifically, Supplier must provide updated Form 10-Ks and updated Form 10-Qs to the Company contemporaneously upon filing with the Securities and Exchange Commission (“SEC”), and, in any event, must provide updated financial statements or Form 10-Ks and updated Form 10-Qs to the Company no later than the date that Form 10-Ks and Form 10-Qs are required to be filed with the SEC pursuant to applicable law.

The Company may make alternative credit arrangements with a Supplier that is unable to demonstrate creditworthiness by the aforementioned criteria.

Alternative credit arrangements may include any of the following:

- a. a guarantee of payment, satisfactory in form and substance to the Company, from a parent Guarantor deemed by the Company to be creditworthy, using the aforementioned criteria, in an amount equal to \$2,800 per MW of Capacity Obligation for the CIEP Customers served by the Supplier, as determined by the Company, which Capacity Obligations are subject to adjustment in the Company's sole and exclusive judgment;
- b. an irrevocable Letter of Credit, satisfactory in form and substance to the Company, issued by a bank or other financial institution with a minimum “A” senior unsecured debt rating (or if unavailable, corporate issuer rating discounted one notch) that is acceptable to the Company, in an amount equal to \$2,800 per MW of Capacity Obligation for the CIEP Customers served by the Supplier, as determined by the Company, which Capacity Obligations are subject to adjustment in the Company’s sole and exclusive judgment;
- c. an advance cash deposit in an amount equal to \$2,800 per MW of Capacity Obligation for the CIEP Customers served by the Supplier, as determined by the Company, which Capacity Obligations are subject to adjustment in the Company’s sole and exclusive judgment.

The credit exposure will be based on the Capacity Obligations for the CIEP Customers served by the Supplier and shall be estimated by the Company as follows: the Company shall obtain a calculation from the Supplier, quantifying the Capacity Obligations for the CIEP Customers. After power has flowed for thirty days, the amount will be adjusted, so long as the new dollar amount of security represented thereby falls outside of a deadband of \$5,000. Adjustments will continue to be made in this fashion, with the deadband calculated around the dollar amount of security in effect at the time of the calculation. The Company will notify the Supplier of any such needed adjustments.

Similar credit arrangements shall be made with Suppliers which meet the aforementioned creditworthiness criteria and for which the credit exposure amount exceeds the ULC. In this case, the amount covered by the credit instruments will be equal to the credit exposure amount exceeding the ULC.

APPENDIX B2

CREDITWORTHINESS STANDARDS FOR SUPPLIERS SERVING FP

CUSTOMERS

The Company will determine whether a given supplier is creditworthy.

The Supplier or its Guarantor is deemed creditworthy upon meeting the following requirements: (1) must be rated by at least two of the following rating agencies: Standard & Poor's Rating Services ("S&P"), Moody's Investors Service, Inc. ("Moody's"), or Fitch, Inc. ("Fitch"), and (2) must have a minimum senior unsecured debt rating (or, if unavailable, corporate issuer debt rating discounted one notch) of at least "BBB-" from S&P, "Baa3" from Moody's, or "BBB-" from Fitch (a "Minimum Rating"). In case of split ratings, the lowest rating will be used. In all instances, the most current senior unsecured debt rating (or, if unavailable, the most current corporate issuer debt rating discounted one notch) will be used.

A Supplier or its Guarantor that satisfies the aforementioned criteria will be granted an Unsecured Linen of Credit ("ULC"). The ULC will be used by the Suppliers or its Guarantors solely to partially or fully cover the credit exposure as defined below.

The maximum level of the ULC will be determined based on the following table.

Credit Rating of the TPS Supplier			Max. Unsecured Line of Credit
S&P	Moody's	Fitch	
A- and above	A3 and above	A- and above	16% of TNW
BBB+	Baa1	BBB+	10% of TNW
BBB	Baa2	BBB	8% of TNW
BBB-	Baa3	BBB-	6% of TNW
Below BBB-	Below Baa3	Below BBB-	0% of TNW

where TNW is the Tangible Net Worth.

The Supplier must also provide the Company with its most recent independently-audited financial statements or, if the Supplier is a publicly held firm, its most recent Form 10-K and Form 10-Q. On an ongoing basis, the Supplier must continue to provide the Company with updated versions of all of the above, as they become available. Specifically, Supplier must provide updated Form 10-Ks and updated Form 10-Qs to the Company contemporaneously upon filing with the Securities and Exchange Commission ("SEC"), and, in any event, must provide updated financial statements or Form 10-Ks and updated Form 10-Qs to the Company no later than the date that Form 10-Ks and Form 10-Qs are required to be filed with the SEC pursuant to applicable law.

The Company may make alternative credit arrangements with a Supplier that is unable to demonstrate creditworthiness by the aforementioned criteria. Alternative credit arrangements may include any of the following:

- a. a guarantee of payment, satisfactory in form and substance to the Company, from a parent Guarantor deemed by the Company to be creditworthy, using the aforementioned criteria, in an amount equal to \$9,000 per MW of Capacity Obligation for residential FP Customers (i.e. those customers in Service Classifications No.1, 3, and 5) and \$6,000 per MW of Capacity Obligation for non-residential FP Customers (i.e. those customers in Service Classification No. 2) served by the Supplier, as determined by the Company,

which Capacity Obligations are subject to adjustment in the Company's sole and exclusive judgment;

b. an irrevocable Letter of Credit, satisfactory in form and substance to the Company, issued by a bank or other financial institution with a minimum "A" senior unsecured rating (or if unavailable, corporate issuer rating discounted one notch) that is acceptable to the Company, in an amount equal to \$9,000 per MW of Capacity Obligation for residential FP Customers (i.e. those customers in Service Classifications No. 1, 3, and 5) and \$6,000 per MW of Capacity Obligation for non-residential FP Customers (i.e. those customers in Service Classification No. 2) served by the Supplier, as determined by the Company, which Capacity Obligations are subject to adjustment in the Company's sole and exclusive judgment;

c. an advance cash deposit in an amount equal to \$9,000 per MW of Capacity Obligation for residential FP Customers (i.e. those customers in Service Classifications No. 1, 3, and 5) and \$6,000 per MW of Capacity Obligation for non-residential FP Customers (i.e. those customers in Service Classification No. 2) served by the Supplier, as determined by the Company, which Capacity Obligations are subject to adjustment in the Company's sole and exclusive judgment; .

The credit exposure will be based on the Capacity Obligations for the FP Customers served by the Supplier and shall be estimated as follows: the Company shall obtain a calculation from the Supplier, quantifying the Capacity Obligations for FP Customers. . After power has flowed for thirty days, the amount will be adjusted, so long as the new dollar amount of security represented thereby falls outside of a deadband of \$50,000. Adjustments will continue to be made in this fashion, with the deadband calculated around the dollar amount of security in effect at the time of the calculation. The Company will notify the Supplier of any such needed adjustments.

Similar credit arrangements shall be made with Suppliers which meet the aforementioned creditworthiness criteria and for which the credit exposure amount exceeds the ULC. In this case, the amount covered by the credit instruments will be equal to the credit exposure amount exceeding the ULC.

APPENDIX B3

CREDITWORTHINESS STANDARDS FOR SUPPLIERS SERVING BOTH CIEP AND FP CUSTOMERS

For Suppliers serving both CIEP and FP Customers, the total credit exposure will be calculated by adding the credit exposures for the CIEP and FP Customers served. The credit exposure for the CIEP and FP Customers will be calculated as indicated in Appendices B1 and B2, respectively.

Rules for determining the ULC and similar alternative credit arrangements are as set forth in Appendix B2.

APPENDIX C

LOSS FACTORS BY SERVICE CLASSIFICATION

The Supplier is responsible for delivering to RECO sufficient energy to meet their Customers' load including appropriate electrical losses that occur as part of the delivery process. Therefore, to determine the amount of installed capacity or energy that must be delivered to the O&R system border, the electricity requirement at the Customer's meter will be multiplied by the appropriate loss factor as determined by the Customer's Service Classification.

The Energy Loss Factor is to be used in determining the amount of energy to be delivered to the system. The Demand Loss Factor is to be used in determining the installed capacity requirement.

Rockland Electric Company Loss Factors by Service Classification

RECO Service Classification #	Loss Factors_	
	Energy	Demand
1	1.07987	1.08980
2 Secondary	1.07987	1.08980
2 Primary	1.05641	1.07273
2 Unmetered	1.07611	1.08428
3	1.07987	1.08980
4	1.07611	1.08428
5	1.07987	1.08980
6	1.07611	1.08428
7 Primary	1.05641	1.07273

APPENDIX D

Load Profiling Methodology and Customer Capacity and Transmission Obligations

Load Profiling Methodology

Rockland Electric Company has developed average hourly load profiles of customers who are not currently hourly metered using commonly accepted profiling and sampling techniques. Large C&I customers in service class 7 are all hourly metered and are considered to have 100% statistical representation. The load profile is a series of 24 time ordered values representing the average hourly demand of a group of customers in a rate class. Using load data collected from a statistically derived sample of consumers with Interval Meters, customers are assigned prototypical load profiles. Customers with similar characteristics are segmented into strata based on typical usage breakpoints.

Each profile specifies customer energy usage for every pool interval (hourly), while adjustment factors such as temperature and day type (i.e. weekday or weekend) are considered when developing each profile. Once all criteria are obtained for a particular group of customers, a daily load profile is developed. Monthly load profiles are then constructed by combining daily load profiles for that month. The estimated usage of each supplier's customers for each pool interval is then aggregated. Each supplier's aggregated customer usage estimates are then used in the settlement process. The goal is that each customer in the Rockland Electric territory, with the exception of the largest C&I customers, will be assigned a load profile by strata and their rate class.

The number of profiles are as follows:

Residential will have 475 class average load profiles for 5 strata

$$\begin{aligned} 5 \text{ strata} * 5 \text{ weekdays} * 12 \text{ months} &= 300 \\ 5 \text{ strata} * 1 \text{ Saturday} * 12 \text{ months} &= 60 \\ 5 \text{ strata} * 1 \text{ Sunday} * 12 \text{ months} &= 60 \\ 5 \text{ strata} * 10 \text{ Holidays} &= 50 \\ 5 \text{ strata} * 1 \text{ PreHoliday weekday} &= 5 \end{aligned}$$

For rate class 102 we will have 475 class average load profiles for 5 strata.

$$\begin{aligned} 5 \text{ strata} * 5 \text{ weekdays} * 12 \text{ months} &= 300 \\ 5 \text{ strata} * 1 \text{ Saturday} * 12 \text{ months} &= 60 \\ 5 \text{ strata} * 1 \text{ Sunday} * 12 \text{ months} &= 60 \\ 5 \text{ strata} * 10 \text{ Holidays} &= 50 \\ 5 \text{ strata} * 1 \text{ PreHoliday weekday} &= 5 \end{aligned}$$

Except for Time of Use customers (there will be approximately 665 for 7 strata over the remaining rate classes. See Guidelines, below)

7 strata * 5 weekdays * 12 months = 420
7 strata * 1 Saturday * 12 months = 84
7 strata * 1 Sunday * 12 months = 84
7 strata * 10 Holidays = 70
7 strata * 1 PreHoliday weekday = 7

Statistical Sample Design Methodology

The accuracy of our current load sample is measured by a standard level of statistical confidence and precision. A validation procedure is used which yields a coefficient of variation from which the confidence level and precision levels are calculated.

The load samples were developed using LodeStar statistical sampling software. The sample methodology used selects the optimum number of sample points per strata using the PURPA required statistical confidence level of 90% and precision range of 10%. Samples were designed using stratified sampling techniques to ensure accuracy for those rate classes in which profiles exist. The new load study sample is being designed at a confidence level of 90% and 10% precision for both the residential and C&I customers. It should also be recognized that customer size and type are important factors in determining whether load profiles are used.

The dimension or design variable used is the peak month kwh. In order to define the strata boundaries or breakpoints the Dalenius-Hodges statistical technique is used. The Neyman allocation procedure is used to determine the optimum sample size for each stratum. The Neyman allocation method for determining the sample size for each stratum is function of population size and the standard deviation. Customer-to-customer variation is the basic determinant of sample size within a stratum (the more variation the larger the sample size). In a stratified sample this variation should be less than taking a random sample of the entire population, thus fewer sample points are required to get the same accuracy level. A simple random sample is then performed on each stratum.

Statistical samples can also be segmented by customer demand, by customer type, or by any number of criteria. Our current load sample consists of 463 sample points, plus approximately 14 load recorders on all of our SC7 customers.

If a new sample design is implemented, the existing load sample may change both respect to the number of strata required in each rate class and may include coverage of rate codes that are currently not sampled. The new design would be in accordance with PURPA 90% confidence level and 10% precision requirements to achieve statistical accuracy of utility load research samples.

CUSTOMER STRATUM GUIDELINES FOR RETAIL ACCESS

The Supplier will be provided with billing history from the customer as well as the strata to which the customer belongs. Based upon this information, the Supplier will aggregate its load, by strata, and schedule the deliveries consistent with the appropriate load profiles.

Service Class	Input Variable	Strata	Lower Limit	Upper Limit
SC1 Rate Code 101/301	Peak Month kWh	RC301 Strata 1	0	600
General Residential	Peak Month kWh	RC301 Strata 2	601	1,200
	Peak Month kWh	RC301 Strata 3	1,201	2,000
	Peak Month kWh	RC301 Strata 4	2,001	3,800
	Peak Month kWh	RC301 Strata 5	3,801	999999
SC 1 Rate Code 401 Residential w/ Water Heating		RC401		
SC 1 Rate Code 501 Residential w/ Space and Water Heating		RC501		
SC 1 Rate Code 601 Residential w/ Heat Pump		RC601		
SC 2 Rate Code 102	Peak Month kW	RC102 Strata 1	0	6
General Service C&I	Peak Month kW	RC102 Strata 2	7	16
	Peak Month kW	RC102 Strata 3	17	35
	Peak Month kW	RC102 Strata 4	36	80
	Peak Month kW	RC102 Strata 5	81	199
SC 2 Rate Code 402 C&I	Peak Month kWh	RC402 Strata 1	0	4,000
Separately Metered Space Heat	Peak Month kWh	RC402 Strata 2	4,001	20,000
	Peak Month kWh	RC402 Strata 3	20,001	100,000
	Peak Month kWh	RC402 Strata 4	100,001	300,000
SC 2 Rate Code 902 Small C & I General Service - Secondary (non-demand metered)	Peak Month kWh	RC902 Strata 1	0	150
	Peak Month kWh	RC902 Strata 2	151	500
	Peak Month kWh	RC902 Strata 3	501	3,000
SC 2 Rate Code 202 Small C & I General Service - Primary		RC202	>100kW	
SC 2 Rate Code 502 Large Commercial - Primary 502		RC502	>200 kW	
SC 2 Rate Code 702 Large Industrial - Primary		RC702	>200 kW	
SC 7 Large C & I >1000 kW	Individual 8760		>1000 kW	
SC4 & SC6 Public/Private Lighting RC104&RC106 through RC506	Monthly Burn Hrs	RC104		
SC 2 Rate Code 802 Small C&I – Secondary	24 Hr Straight Line	RC802		

Customer Capacity and Transmission Obligations

Both the capacity (generation) and transmission obligations for retail and wholesale customers have been developed so that the sum of the individual customer obligations within a zone will total the ISO zonal (LDC's) obligation. This zonal obligation may vary as provided for under the PJM Reliability Agreement due to the effects of net new customer load. Each LDC uses a "bottom up" approach to calculate individual peak loads based upon the zonal loads. These preliminary customer peak loads are then scaled up or down to match (1) the normalized or forecasted peak load calculated by the ISO for each LDC for capacity purposes and (2) the actual zonal load for transmission purposes. Capacity peak loads, aggregated by Supplier, are adjusted for reserves by the ISO.

Since retail customers within a ISO zone (LDC service area) will be free to change suppliers, an obligation "tag" is needed to be assigned to each customer for both capacity and transmission obligations. These tags will be recalculated periodically to incorporate new customers, changing customer usage and to ensure consistency with the ISO and LDC peak loads and obligation calculations.

Discussed below is an explanation of how each individual customer's capacity and transmission peak load will be determined depending on which ISO (PJM or NYISO) the customer is served by.

Capacity and Transmission Peak Load Determinations for Customers located in PJM Area

The calculation of capacity peak load share is two-step process: 1) compute each customer's hourly load at the time of each of the five highest PJM daily peak demands;

and 2) scale each of these five customer loads up or down so the sum of all customers' loads during each of these hours equals RECO's allocated PJM zonal peak.

1. Customer's capacity peak load contribution is based on the average of the customer's hourly loads at the times of the five highest PJM daily peak demands during the summer peak period.
2. For customers with Interval Meters, each customer's actual metered load at the times of the five highest PJM daily demands is used in the calculation.
3. For customers without Interval Meters, each customer's actual calendar month usage, during the month of each PJM-supplied peak hour, is multiplied by a load factor ratio determined from load research profiles. The load factor ratio will vary for each of the five hours and is dependent on the customer's load profile strata.
4. Each customer's loads are adjusted for losses based on the customer's service classification.
5. Each customer's five peak loads, determined as described above, are then scaled up or down so that the total of all customer loads for the RECO PJM zone matches the zonal peak for each of the five PJM peak load hours. The arithmetic average of these five scaled hourly values is the customer's capacity peak load contribution.

This calculation, aggregated by Supplier, will be transmitted to PJM. PJM applies a reserve factor to each Supplier's capacity peak load received from the LDC to determine the Supplier's capacity obligation within the RECO zone. In addition, PJM may apply, beginning in June 2003, a scale factor to each Supplier's load so that the total of Supplier loads would approximate the zonal forecast.

Customer Transmission Peak Load Determination for Customer Located in PJM Control Area

The determination of a customer's transmission load/obligations is performed using a similar methodology as is used in the determination of capacity except that instead of using the five hours of highest PJM daily peak demands, the hour of the highest RECO zonal daily peak load is used. This information, supplied by RECO and aggregated by

Supplier, is transmitted to PJM and PJM may make additional adjustments so the the total of Supplier loads would approximate the zonal forecast.

Calculation of Capacity Peak Load Determination for Customers located in NYISO Area

The calculation of capacity peak load contribution is a two-step process: 1) compute each customer's hourly load at the time of O&R's highest peak demand; and 2) scale each customer's load so the sum of all customer's loads equals the forecasted NYISO load for the upcoming summer.

1. Customer's capacity peak load contribution is based on the average of the customer's hourly load at the time of O&R's highest daily peak demand during the previous summer peak period.
2. For customers with Interval Meters, each customer's actual metered load at the time of O&R's highest daily demand is used in the calculation.
3. For customers without Interval Meters, each customer's actual calendar month usage, during the month of O&R's peak hour, is multiplied by a load factor ratio determined from load research profiles. The load factor ratio varies by hour and is dependent on the customer's load profile strata.
4. Each customer's load is adjusted for losses based on the customer's service classification.
5. Each customer's load, determined as described above, is then scaled up or down so that the total of all customer loads will equal the forecasted NYISO load for the upcoming summer.

This calculation, aggregated by Supplier, will be transmitted to the NYISO. NYISO applies a reserve factor to each Supplier's capacity peak load received from the LDC to determine the Supplier's capacity obligation within the Company's NYISO zone.

Transmission Obligations are not derived for customers in the NYISO area of RECO's service territory. Transmission charges are included in delivery rates for customers in this area.

APPENDIX E
SCHEDULE OF CERTAIN TPS CHARGES

A. Schedule of Fees to be Charge to Third Party Suppliers

General Supplier Administrative Fee: \$25.00 per MW of capacity obligation per Month

- Through this Fee, RECO will recover costs associated with its Retail Access Operations Group, including but not limited to necessary technical support and assistance to Third Party Suppliers. Such support will include assistance in routine business interactions and standard processing of Third Party Supplier data files.

Other:

While under no obligation to provide additional assistance beyond that described above, RECO will endeavor to furnish such assistance, but will charge a fee of \$45/hour for this service after providing 5 hours per month of such additional assistance for free. Such additional assistance will include, but not be limited to, manual verification of customer data, explanation of RECO filings or regulatory orders, or explanation of RECO's web site or electronic communications.

The above-referenced fees will be included in the monthly billing statement and invoice rendered by RECO to Third Party Suppliers in accordance with Article 12 of the Agreement.