

Monongahela Power Company

REQUEST FOR PROPOSALS

for

Power Supply Generation Facilities and/or Demand Resources

Issued:

December 16, 2016

Proposals Due:

February 3, 2017, 5:00PM EPT

Web Address: www.MonPower-RFP.com

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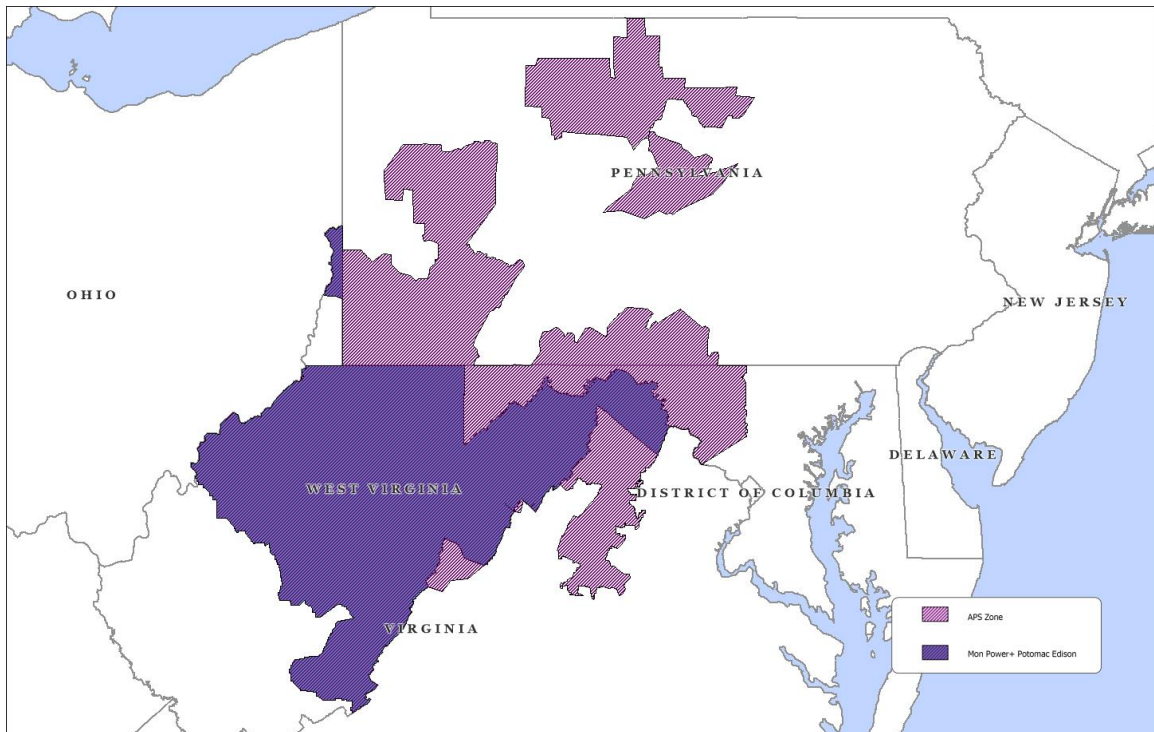
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1 RFP Overview

1.1 Introduction

Monongahela Power Company (“Mon Power”) does business in the State of West Virginia as a regulated public utility and generates, transmits and distributes electricity for sale in West Virginia and the PJM Interconnection, L.L.C. (“PJM”) regional electricity market. Mon Power, headquartered in Fairmont, West Virginia, currently serves approximately 390,000 electric customers located across approximately 13,000 square miles of West Virginia. Mon Power also provides generation supply to The Potomac Edison Company’s West Virginia customers, numbering approximately 135,000. Mon Power’s electric portfolio consists of 3,700 megawatts (“MW”) of generation capacity, including approximately 160 MW of non-utility generator (“NUG”) resources, over 2,000 miles of transmission lines at voltages ranging from 69 kilovolts (“kV”) to 500 kV, and more than 25,464 circuit miles of distribution lines at voltages ranging from 2.4 kV to 34.5 kV in West Virginia. Mon Power owns a mix of generating resources consisting of fossil-fuel plants and hydroelectric pumped storage. Additionally, Mon Power purchases certain capacity and energy from NUGs and PJM, a regional transmission organization that operates the wholesale electric grid in the Mid-Atlantic region of the United States.



In 2002, Mon Power became a member of PJM. As a result, Mon Power transferred operational control of its transmission assets to PJM.

Mon Power is a wholly-owned subsidiary of FirstEnergy Corp. (“FE”) (NYSE: FE). For more information about Mon Power, visit its website at www.firstenergycorp.com/mon_power.

1.2 Purpose

Mon Power is committed to providing a reliable supply of electric power to its customers. In December 2015, Mon Power filed an Integrated Resource Plan (“2015 IRP”) with the Public Service Commission of West Virginia (“PSC”) that identified a significant shortfall in generation compared to its load over the following fifteen (15) year period.¹ Since then, Mon Power has evaluated its generation portfolio based on recent rule changes in the PJM wholesale markets, and concluded that it may be in the best interest of both Mon Power and Potomac Edison-West Virginia and their customers to seek to sell its ownership stake in the Bath County Pumped Storage Project (“Bath County Project”) located in Warm Springs, Virginia.² Mon Power has updated its load forecast from the 2015 IRP, and after taking into account the impact of the presumed sale of the Bath County Project, has identified a capacity shortfall of approximately 1,045 MW by 2020 that rises to 1,400 MW by 2027. Through this RFP, Mon Power seeks to satisfy this capacity shortfall through a combination of an approximately 1,300 MW (UCAP) of generation capacity and up to 100 MW of demand resources.

In order to manage its capacity needs and ensure an adequate level of reliable generation supply for its customers, Mon Power hereby issues this RFP to:

1. acquire a generation facility or facilities that, at a minimum, meet established industry-wide reliability and performance criteria, or certain developmental requirements for new or planned electric generation facilities (described further in Section 4); and

¹ Monongahela Power Company and The Potomac Edison Company, 2015 Integrated Resource Plan, Case No. 15-2002 (filed Dec. 30, 2015).

² The potential sale of the Bath County Project will be considered via a separate RFP process that will be run concurrent with this RFP.

2. acquire demand resources that satisfy the criteria described below to satisfy a portion of the identified future capacity needs (described further in Section 5).

Throughout this RFP document, the products described above are referred to collectively as the “Capacity Assets.” Proposals may be for either or both of the Capacity Assets.

Accordingly, you are invited to submit a written, binding proposal (“Proposal”) in accordance with the requirements described in this Request for Proposals (“RFP”). Entities that submit a Proposal are referred to as Respondents (“Respondents”)

Mon Power has retained Charles River Associates (“CRA”) to manage the RFP process for the purpose of creating this RFP and soliciting Proposals. CRA also will serve as the independent third party to evaluate all Proposals on behalf of Mon Power. CRA will administer this process through its dedicated RFP website (see Section 2.2). Responses to this RFP will be accepted only through the RFP website.

The milestone dates for this RFP process are presented below. Additional information about dates and deadlines for the RFP is provided in Section 2.4.

- | | |
|---|-------------------|
| • Issue RFP | December 16, 2016 |
| • Notice of Intent w/ Pre-Qualification Documents | December 23, 2016 |
| • Notification of Pre-qualification | January 6, 2017 |
| • Proposals Due | February 3, 2017 |

2 Information and Schedule

2.1 Information Provided to Potential Respondents

This RFP and all of its Appendices and forms are available on the RFP website www.MonPower-RFP.com. Interested parties are expected to be able to download this RFP with its required forms and complete the forms in Microsoft Word, Excel, and/or PDF format. Respondents should submit properly completed forms by the specified deadline through the RFP website. CRA will accept only Proposals that are complete and that are submitted through the RFP website. Proposals that are nonconforming, not complete, or that are mailed, or hand delivered may be deemed ineligible and may not be considered for further evaluation.

CRA will send an electronic mail notice on or after December 16, 2016, to parties that it considers likely participants in this RFP. Additionally, a press release of this RFP will be published on www.MonPower-RFP.com on or after December 16, 2016.

By submitting a Proposal in response to this RFP, the Respondent certifies that it has not divulged, discussed, or compared any commercial terms of its Proposal with any other party (including any other Respondent and/or prospective Respondent), and has not colluded whatsoever with any other party.

2.2 Information on the RFP Website

The information on the RFP website (www.MonPower-RFP.com) contains the following:

- This RFP and associated appendices;
- Template Information Form Addendum (as described in Section 6.1);
- Form of Notice of Intent;
- Form of Non-Disclosure Agreement (“NDA”);
- Form of Pre-Qualification Application including Credit Worthiness information;
- Form of Asset Purchase Agreement (“APA”);
- Form of Demand Resource Purchase Agreement (“DR Agreement”);
- Frequently asked questions and answers about this RFP; and
- Updates on this RFP process and other relevant information.

2.3 Questions

All questions regarding the content of this RFP should be submitted in writing to the RFP Email Address (MonPower-RFPManager@crai.com) or via the RFP website. Respondents’ questions and CRA’s answers will be posted on the RFP website on a periodic basis. Other than questions and answers submitted through the RFP Email Address and posted on the RFP website, no other explanations or interpretations of this RFP will be given. Written questions will be accepted by CRA until five (5) days before the date on which Proposals are due. Please note that such questions will not be treated as confidential. Questions

and answers that are posted on the RFP website will be scrubbed of information identifying the party that originally asked the question.

In the event that a given Respondent has a question or seeks clarification or explanation of any data or information provided in this RFP, such Respondent is responsible for obtaining the desired information by submitting a written question to CRA through the RFP Email Address by no later than five (5) days before the date on which Proposals are due.

Any and all communications regarding this RFP will be submitted through the RFP Email Address, or posted on the RFP website. Under no circumstance should Respondents attempt to contact Mon Power or CRA employees directly with any matters related to this RFP.

Proposals containing material omissions will be deemed non-responsive and may be deemed ineligible and may not be considered for further evaluation.

However, while evaluating Proposals, CRA may require clarification or additional information about a given Proposal as part of its review. In such a case, CRA may request additional information about the Proposal from the Respondent. All requests will be made via email to the designated Respondent contact, and the Respondent will be required to respond to the request within five (5) business days of receipt of such request or CRA may disqualify Respondent's Proposal.

2.4 Schedule

The following schedule and deadlines apply to this RFP. Mon Power and CRA reserve the right to extend or otherwise modify any portion of this schedule at any time or terminate this RFP process at their discretion at any time prior to contract execution.

- Eastern Prevailing Time ("EPT") means Eastern Standard Time or Eastern Daylight Time, whichever is in effect in Fairmont, West Virginia on any date specified.
- All Proposals are due by 5:00 p.m. EPT, February 3, 2017. Proposals received after the specified date and time will be disqualified from further evaluation.
- Mon Power expects to execute the definitive agreements for acquisition of the Capacity Assets (the "Definitive Agreement(s)") no later than March 14, 2017. Below is the expected timetable for this RFP process, which is subject to change.

Step	Timetable
RFP Issued	December 16, 2016
Notice of Intent, Non-Disclosure Agreement, and Respondent Pre-Qualification Application Due	5:00 p.m. EPT, December 23, 2016
Respondents Notified of Results of Pre-Qualification Application Review	5:00 p.m. EPT, January 6, 2017
Proposal Due	5:00 p.m. EPT, February 3, 2017 ³
Proposal Evaluation	February 4 – February 24, 2017
Proposal Evaluation Completion Target and Recommendation to Mon Power	February 24, 2017
Due Diligence and Negotiations Period	February 24 – March 14, 2017
Definitive Agreement(s) Executed with Selected Respondent(s)	March 14, 2017
Applications filed with the PSC and the Federal Energy Regulatory Commission (“FERC”)	March 15, 2017

³ If there are technical problems with the RFP website on the date that submissions are due, the due date will be extended to the day following the next date that the website is fully functional.

3 RFP General Requirements

Proposals must meet the following criteria. CRA may reject, without further review, any Proposals that do not meet the following criteria:

3.1 Respondent Pre-Qualification

To be eligible to submit a Proposal in response to this RFP, Respondents must be pre-qualified. To pre-qualify, a Respondent must submit the following items:

- a completed Notice of Intent (Appendix A);
- a completed Non-Disclosure Agreement (Appendix B); and
- a completed Pre-Qualification Application (Appendix C), including credit worthiness information.

These items are to be submitted through the RFP Website (www.MonPower-RFP.com) no later than the date and time specified pursuant to Section 2.4 above.

CRA will notify Respondents by January 6, 2017 that they have successfully pre-qualified to submit a Proposal. Potential Respondents that have not submitted a Pre-Qualification application package by December 23, 2016 will not have their Proposals considered.

3.2 Multiple Proposals

In the event that multiple Proposals for different Capacity Assets are submitted by the same Respondent, the Respondent must indicate whether the Proposals are to be evaluated independently of one another.

3.3 Non-Disclosure Agreement

This RFP contains an NDA form. Respondents shall submit a signed version to the RFP Email Address (MonPower-RFPManager@crai.com) (see Section 2.2) by 5:00 p.m. EPT, December 23, 2016. Respondents may download the NDA form from www.MonPower-RFP.com.

3.4 Valid Proposal Duration

Proposal pricing must be valid for ninety (90) days following the Proposal Due Date of February 3, 2017. Pricing for a Proposal that is selected must remain valid until the transaction receives all necessary regulatory approvals.

3.5 Acknowledgement of RFP Terms and Conditions

The submission of a Proposal shall constitute Respondent's acknowledgment and acceptance of all the terms, conditions and requirements of this RFP.

4 Generation Facility Proposals

Mon Power seeks to procure ownership of a dispatchable generation facility or facilities⁴ amounting to approximately 1,300 MW of Unforced Capacity ("UCAP").⁵ The acquisition is expected to take place in 2017 following necessary regulatory approvals. Proposals are expected to be for the sale to Mon Power of 100% of the specified generation facility or facilities from which dispatchable output will be delivered. Proposed generation facilities should have no major operational limitations that reduce their ability to run for extended periods. Mon Power is willing to purchase a generation facility or facilities owned by multiple owners provided that the owners submit a joint proposal where full ownership of the facility or facilities is being offered.

4.1 Content Requirements for Generation Facility Proposals

This section describes Mon Power's requirements for the content and evaluation of any Proposal that is submitted in response to this RFP as an offer to sell a generation facility to Mon Power. Proposals that do not include all of the required information may be deemed ineligible and may not be considered for further evaluation. If it appears that certain information has inadvertently been omitted from a Proposal, CRA may but is not obligated to contact the Respondent to obtain the missing information, per Section 2.3. If, during the RFP process, there is a material change to the generation facility or the circumstances of the

⁴ Dispatchable generation, as that term is used in this RFP, shall have the meaning set forth on PJM's website, namely Dispatchable generation means "generation that can follow dispatch instructions between economic minimum and economic maximum."

⁵ Unforced Capacity, as that term is used in this RFP, shall have the meaning set forth in the PJM Reliability Assurance Agreement, namely Unforced Capacity "shall mean installed capacity rated at summer conditions that is not on average experiencing a forced outage or forced derating, calculated for each Capacity Resource on the 12-month period from October to September without regard to the ownership of or the contractual rights to the capacity of the unit."

Respondent that could affect the outcome of the RFP evaluation, the Respondent is obligated to inform CRA accordingly.

The winning Respondent must provide such additional information and data as may be requested by Mon Power to support regulatory review of the generation facility purchase transaction.

All Proposals must include a table of contents and provide concise and complete information on the topics described below, organized as follows:

4.1.1 GENERATION FACILITY EXECUTIVE SUMMARY

Proposals must include an executive summary of the generation facility's characteristics including any unique aspects and benefits.

4.1.2 GENERATION FACILITY GENERAL INFORMATION

4.1.2.1 Respondent's Information

Proposals must be submitted in the legal name of the actual party or the ultimate "upstream" organizational entity that would be bound by any resulting Definitive Agreement with Mon Power. Proposals must be authenticated by an officer or other employee who is authorized to bind Respondent to the Definitive Agreement based on the Proposals.

The first page of the Proposal shall list the Respondent and the Respondent's Contact Information (Name, Title, Phone, Email Address, and Mailing Address).

Proposals must include: information on the Respondent's corporate structure (including identification of any parent companies); a copy of the Respondent's most recent quarterly report containing unaudited consolidated financial statements signed and verified by an authorized officer of Respondent attesting to its accuracy; and a copy of Respondent's most recent three (3) annual reports containing audited consolidated financial statements. If such financial data is not available, as much comparable information as possible should be provided.

4.1.2.2 Respondent's Experience

The Respondent must provide a description of prior experience and qualifications as it relates to the execution of the Proposal. This should incorporate a summary of the experience and qualifications of the key contributors, including the total number of employees and prior experience and qualifications of any key developers, engineering, procurement and construction contractors, fuel managers, or other key contributors relating to the generation facility.

Respondents shall state the name of the generating facility, the county where the generating facility is located, the owner of the facility, and the commercial pricing node associated with the facility, if applicable. This information should be accompanied by a map(s) of the asset's location, as well as maps of any planned infrastructure upgrades in support of the generation facility.

CRA will accept Proposals for generation facilities located both inside and outside Mon Power's service territory, but facilities must be located inside the Allegheny Power Systems ("APS") zone in the PJM-region. Non-conforming bids by Respondents to sell a generation facility or facilities located outside of the APS zone may be considered if this RFP does not receive at least three qualified bids, and provided that the Respondent and proposed generation facility satisfy all other requirements found in Sections 3 and 4 of this RFP.

For a new or planned generation facility to be considered, the Respondent shall submit a copy of an executed pro-forma PJM Interconnection Service Agreement and Interconnection Construction Services Agreement, as well as a copy of a completed PJM Facilities Study and a PJM System Impact Study for the project for the proposed delivery point. Respondents submitting Proposals for a new or planned generation facility also must submit a copy of a fully executed engineering, procurement and construction ("EPC") contract.

4.1.2.3 Generating Facility Capacity Characteristics

Respondents shall state the nameplate capacity, net summer operating capacity, net winter operating capacity and the UCAP of the generation facility for the 2016/2017 PJM planning year. Respondents also should provide the expected UCAP for the PJM 2020/2021 Reliability Pricing Model ("RPM") Base Residual Auction. Generation assets offered must have a minimum UCAP of 100 MW.

4.1.2.4 Acquisition Date

Respondents shall assume that the acquisition of the generation facility would be closed and title transferred in 2017, subject to regulatory approvals.

4.1.2.5 Capacity Availability

For Proposals to sell an existing generation facility to Mon Power, the existing generating facility must have cleared in the RPM capacity auctions for 2018/2019 and 2019/2020 Delivery Years or be eligible to participate in the incremental RPM auctions for these specified delivery years.

For new or planned generation facilities, Mon Power will accept generation that qualifies as a Capacity Performance resource(s) in the 2020/2021 Delivery Year; and in all delivery years thereafter.

Respondents shall also describe the expected useful life of the generation facility.

4.1.3 GENERATION FACILITY TECHNICAL AND ECONOMIC DETAIL

4.1.3.1 Generation Technology

Respondents shall describe the generation technology of the facility, including the make, model, and name of the supplier of all major equipment.

All Proposals to sell a generation facility to Mon Power must utilize an existing, proven technology, with demonstrated reliable generation performance that is capable of sustained, predictable operation.

4.1.3.2 Dispatch Characteristics

Proposed generation facilities shall be fully dispatchable. Respondents shall provide the dispatch characteristics of the generation facility, including, but not limited to:

- minimum load level;
- ramp rates (up and down);
- number of gas turbines that can be started simultaneously (if applicable)
- heat rate curve for normal operations (e.g., the coefficients of a fifth-order equation), including the no load and full load heat rates;
- fuel consumption and heat rate during startup, including startup time and the total number of hours annually the facility can be assumed to be in startup mode;
- fuel consumption and heat rate when the facility is being shutdown, including how long shutdown takes and the total number of hours annually the facility can be assumed to be in shutdown mode;
- an estimation of the total number of hours annually that the facility operates at full load;
- capability decreases as a result of ambient temperature increases;
- supplemental firing capability and any operating limitations caused by such factors of design; and
- any other operational limitations that reduce unit availability or reduce a unit's ability to dispatch or regulate.

Regarding any major current and/or historical operational limitations, Respondents shall provide a description of the root causes of the limitations (e.g., OEM design, material condition of the facility, environmental permits, etc.).

Proposals for non-dispatchable resources, such as intermittent resources, will not be considered in this RFP.

4.1.3.3 Revenues and Operating Costs

For existing generation facilities, Respondents shall provide a detailed breakout of the facility's actual annual revenues for each of the past five (5) years. This will include energy, capacity, and ancillary service market revenues, as well as any other revenues the facility earned. Associated with these revenues, Respondents shall state the estimated annual operation and maintenance costs of the facility on a fixed (\$) and variable (\$/MWh) basis and provide the actual annual operation and maintenance costs of the facility for each of the past five (5) years in nominal dollars.

Respondents shall provide a detailed breakout of the generation facility's estimated and actual annual [fixed] costs for the following categories: labor, benefits, materials and all others for the past five (5) years. Respondents shall provide a breakdown of the number of people employed at the facility, including permanent and contracted employees, and whether those employees are organized under any labor agreement.

If, for any reason, fixed or variable costs for the generation facility are expected to change in the foreseeable future (*e.g.*, following planned upgrades, *etc.*), the Respondent should provide both the new expected cost(s) and the year(s) in which the costs are expected to change.

Respondents shall also state and describe any property, state, and local taxes and tax abatements associated with the generation facility, including West Virginia Business and Occupation ("B&O") and local property taxes.

All cost data should be provided both for the generation facility under its current owner and as costs might be different under Mon Power ownership.

For new generation facilities, Respondents shall provide information on capacity levels (in UCAP) that have already cleared in the PJM capacity market, and associated revenue.

New generation facilities also must provide reasonable expectations for all of the above details associated with plant revenues and costs, including market revenues, fixed and variable operations costs, expected upgrades and service timing, and taxes.

4.1.4 GENERATION FACILITY OPERATING CONSIDERATIONS

4.1.4.1 Generation Facility Operating Data

For an existing generation facility, Respondents shall provide historical operating data consisting of: (i) the commercial operation date of the facility; (ii) the annual run-time hours (per unit, if applicable); (iii) the annual operating cycles per year (per unit, if applicable); (iv) the annual facility capacity and availability factors; and (v) the PJM equivalent forced outage rate demand (“EFORd”). The above annual data may be limited to the most recent five (5) years. The EFORd should correspond to the UCAP amounts awarded for the last five (5) Planning Years (as defined by PJM). Respondents shall provide a breakdown of EFORd by failure mode or NERC/GADS category. Respondents shall provide a description of the major contributors to the generation facility EFORd. If there are particular costs associated with maintaining the EFORd of a generation facility, those must be provided.

Respondents shall provide details on any current generation facility equipment issues and concerns, including the potential drivers and recommended mitigation procedures for the issues and/or concerns. These may include, but are not limited to, any operation of the turbine, generator, or boiler outside recommended parameters established by OEM, compromised turbine or compressor blades, *etc.* Respondents shall provide a list of any redundant equipment that is currently bypassed or out of service, and the related reason. Respondents will also provide historical information on such issues and concerns that have arisen, how they were resolved, and the associated costs for the last ten (10) years of operation, or for the commercial life of the generation facility, whichever is lesser.

Respondents shall provide maintenance history for the lesser of the past ten (10) years of operation, or the commercial life of the generation facility consisting of: (i) dates of last full unit inspection and findings based on OEM recommendations; and (ii) outstanding OEM recommendations remaining to be implemented, including the cost and outage duration for any major maintenance requirements expected over the coming ten (10) years. Respondents shall provide the outage reports for major planned and forced outages for each of the past five (5) years.

For new or planned generation facilities, Proposals should include the manufacturer or developer quoted expected performance, as well as historical performance of similar facilities in PJM.

4.1.4.2 Generation Facility Operating Plan

Proposals should include a summary of the operating plan for the generation facility. Such plan should include software management system(s) and personnel roles and responsibilities for operating, maintaining and servicing the

facility, including any contractual arrangements currently in place. A Respondent shall provide an overview of key scheduled outage and maintenance plans, as well as plans for procuring and maintaining key spare parts.

For new or planned generation facilities, this should include a summary of the intended operating plan for the facility. The plan should include software management system(s) planned or in use (*e.g.*, SAP, *etc.*), any third-party roles and responsibilities for operating, maintaining and servicing the facility, including any contractual arrangements to be executed. A Respondent should provide an overview of key scheduled outage and maintenance plans, as well as plans for procuring and maintaining key spare parts.

4.1.4.3 Generation Facility Fuel Supply

Respondents shall provide a description, including detailed cost information, contract duration, and material contract terms (including whether fuel contracts are take or pay, minimum volume requirements, price reopeners, assignability or termination provisions) of all fuel purchase, storage, and transport agreements related to the generation facility Proposal. Cost of fuel commodities should be provided separately from the cost of fuel transportation. Respondents also must list any provisions or other considerations that would prohibit or impair the assignment and/or affect the performance obligations of either party under the respective contract(s). Respondents should describe fuel purchase and transport to the generation facility, as well as any existing or known potential operational restrictions or impediments on such fuel purchase and transportation. Respondents also are required to provide a description of the existing fuel supply (and storage) infrastructure serving the generation facility, including the infrastructure for the delivery of secondary fuel for dual-fuel resources. However, Mon Power, through this RFP, is seeking to purchase a generation facility, and it is Mon Power's sole discretion whether to assume any contract or contracts associated with the proposed generation facility related to fuel commodities and/or fuel transportation.

Proposals should describe, to the extent possible, their fuel sourcing strategy, including from where their fuel is sourced, with a focus on whether it is sourced from inside the state of West Virginia. If a respondent has historically sourced fuel from outside of West Virginia, it may choose to provide detail on the costs that would be associated with sourcing fuel from within West Virginia (costs for commodity should be provided separately from transport) by submitting a separate Proposal.

Proposals should describe the generation facility's ability to access a reliable fuel supply that would support operation for any hour throughout the year, including the plant's on-site fuel storage and dual-fuel capabilities, if applicable. Proposals for coal generation facilities should provide the number of days of coal the facility

is capable of storing onsite. Proposals for gas generators must have dual-fuel capability and the ability to store three (3) or more days of fuel, and/or firm gas transportation contracts. Proposals that do not meet these requirements will be disqualified.

4.1.5 GENERATION FACILITY ENVIRONMENTAL CONSIDERATIONS

4.1.5.1 Emissions and Waste Disposal Compliance

Proposals are expected to provide information regarding current and planned measures taken to comply with local, state, and federal environmental regulations. Respondents offering coal fired generation facilities should include information regarding current and planned measures to comply with coal ash regulations, as well as a description of any other solid waste disposal considerations. Respondents offering coal fired generation facilities also must disclose any long-term contracts for the sale and/or disposal of Coal Combustion Residuals (“CCRs”), or other beneficial use plans for CCRs. Proposals should provide information on expected upgrade costs, outages associated with upgrades, increased operations and maintenance costs, operational limitations, permit costs, and administrative costs associated with environmental regulations.

Respondents also shall provide a summary of any environmental control equipment installed at the facility and the emission rates for NO_x, SO₂, CO₂, VOC, PM and CO in units of lb/mmBTU.

Note that the cost of compliance with any current environmental laws or regulations should be addressed in the Proposal.

4.1.5.2 Water Supply

Respondents shall provide a detailed description of the water supply, including but not limited to, contract term, water usage, and cost of water for the generation facility. Respondents shall also provide the status of the facility’s National Pollutant Discharge Elimination System (“NPDES”) permits, including, but not limited to, permit conditions, permit violations reported over the last five (5) years, the timing of next permit renewal, and any other known concerns.

If applicable, Respondents shall provide a summary of the facility’s water chemistry program, including key systems and suppliers, and its performance in the most recent year.

4.1.5.3 Permits

The generation facility must have all relevant environmental and other permits necessary for operation and maintenance. Respondents shall provide a

description of all permits currently in place for the operation and maintenance of the facility (e.g., Spill Prevention Containment and Control plans, Title IV and Title V permits of the Clean Air Act, Cap and Trade Permits, NPDES permits, Water Withdrawal, and Pollution Incident Prevention Plan). Respondents must also state whether there are any provisions that would prohibit the assignment of such permits and/or any consents required for the assignment of such permits.

Respondents shall describe any operating limitations imposed by permitting or environmental compliance that limit plant availability.

Respondents shall provide a description of any identified environmental liabilities (e.g., potential site remediation requirements, etc.) for the facility.

4.1.6 GENERATION FACILITY FINANCIAL CONSIDERATIONS

4.1.6.1 Capital Expenditures

Respondents shall provide historical and budgeted capital expenditures for the generation facility. Historical capital expenditures shall be provided for each of the past five (5) years in nominal dollars. Planned and budgeted capital expenditures shall be provided for each of next five (5) years in nominal dollars along with a description of the projects involved. Respondents also should disclose any known capital expenditure needs outside of the five-year time horizon that are expected to exceed \$1 million dollars.

Respondents shall supply a summary list of all spare parts and components currently owned by the facility and their approximate dollar value. Respondents shall also identify any spare parts or components that are currently needed and/or on order as of the date the Proposal is submitted.

4.1.6.2 Acquisition Price

Respondents shall submit an acquisition price consisting of a single fixed payment that is inclusive of all monetary consideration for the generation facility, working inventory, and, if applicable, ancillary facilities and contractual arrangements (e.g., for fuel supply and transportation, maintenance, pollution control bonds, etc.). Respondents must submit their best and final price with their Proposal. Respondents must provide details regarding any liabilities that Mon Power might assume as a buyer of a generation facility.

For new or planned generation facilities, the price offered in the Proposal should include all costs associated with providing a completed generating asset whose full output will reside in the APS zone in the PJM transmission system. This includes, in particular but without limitation, costs associated with transmission

interconnection, including engineering studies, siting, permitting, acquisition and construction.

A Respondent may have fuel inventories at a generation facility site. Such fuel has market value. If the intention would be for that fuel to transfer along with the generation asset, the Respondent should separately list the type, quantity, and expected price of the fuel at the time of sale. The resulting cost may then be provided as a credit against the acquisition price.

4.1.6.3 Other Contractual Commitments

Respondents shall provide a description, including detailed cost information, of any other contracts that are currently necessary for generation facility operations, including, but not limited to, long-term service agreements, state union labor contracts and/or technical support contracts, agreements related to capacity and/or energy sales from the facility and any capacity offers submitted to any ISO/RTO related to the generation facility that if accepted would be binding on Mon Power as a result of an acquisition. Respondents must also state whether there are any provisions that would prohibit the assignment and/or affect the performance obligations of either party under the respective contract, including transfer or cancellation fees.

4.1.7 GENERATION FACILITY LEGAL CONSIDERATIONS

4.1.7.1 Generation Facility Asset Purchase Agreement

This RFP contains a proposed form of the APA. Respondents should download the APA from the RFP website (www.MonPower-RFP.com) and be ready to execute the APA immediately upon selection as the winning Respondent. A separate APA submitted by a Respondent will not be considered and may cause Respondent's Proposal to be disqualified.

4.1.7.2 Legal Proceedings

The Proposal should include a summary of all material actions, suits, claims or proceedings (threatened or pending) against Respondent, its Guarantor (if applicable) or involving the generation facility as of the Proposal due date, including but not limited to those related to employment and labor laws, environmental laws, or contractual disputes for the development, construction, maintenance, fueling, or operation of the facility.

4.1.7.3 Material contingencies

Proposals that have material contingencies, such as for financing, will not be considered.

4.1.8 GENERATION FACILITY LOCAL ECONOMIC IMPACT

Proposals should include a description of the expected use of any West Virginia fuels, labor, taxes, and other in-state resources for the development, construction and operation of the generation facility. Proposals should also describe and provide support for the expected economic benefits to the local community, region, and state of West Virginia, associated with the development, construction, and/or operation of the generation facility. These descriptions will supplement data that is to be provided in the Information Form Addendum on the same topic, as described in Section 6.1.

4.1.9 GENERATION FACILITY, ADDITIONAL ITEMS SPECIFIC TO NEW FACILITIES

All Proposals for new generation facilities must have a well-defined and credible development plan for Respondent to complete the development, construction, and commissioning of the facility on their proposed construction timeline. Information provided should include:

- roles and responsibilities of the companies involved in the design, development, procurement and construction of the facility. Information about key contributors should extend to the status of contractual relationship with each key contributor; key contractual assurances, guarantees, warranties or commitments supporting the Proposal, including an executed EPC contract, and any past experience of Respondent working with each key contributor;
- description of status of major equipment procurement, as well as processes for engineering, procurement, and construction bids and awards;
- description of the facility site and Respondent's rights (*i.e.*, whether owned, leased, under option) to such site. Please indicate whether additional land rights are necessary for the development, construction, and/or operation of the facility;
- discussion of the development schedule and associated risks and risk mitigation plans for that schedule, including whether there are contract commitments from contractors supporting the proposed schedule. The Respondent should be prepared to document and commit to a proposed development schedule, which should include a commercial operations date;
- discussion of the financing arrangements secured by the Respondent, including an overview of the sources of funds, and level of commitment from debt, equity, or other investors;

- discussion on permitting, including a list of all required permits, permitting status of each, and key risks to securing necessary future permit approvals;
- description of status in PJM queue process and presentation of documents described in Section 4.1.2.2; and
- financial information regarding guarantors and sources of equity funding along with either the Respondent's or guarantors' senior unsecured debt and/or corporate issuer ratings documentation from Moody's and Standard & Poor's showing the name of the rating agency, the type of rating, and the rating of the Respondent or guarantor.

Proposals that are not site-specific or do not currently have land control for the facility site will be disqualified from the evaluation process.

Mon Power will not assume any responsibility for the successful development, construction, and/or completion of a proposed facility. Accordingly, development schedule, budget, permits and approval risk will be the sole responsibility of the Respondent.

4.2 Generation Proposal Evaluation and Contract Negotiations

4.2.1 INITIAL PROPOSAL REVIEW

After the Proposal due date, CRA will review all responses for completeness, responsiveness and compliance with the minimum proposal eligibility requirements specified in Sections 3 and 4 of this RFP, and the Pre-Qualification Application in Appendix C. CRA will not accept unsolicited updated information from Respondents during the evaluation period. As a result of this screening, CRA may in its discretion either eliminate Proposals from further consideration, or contact Respondents to clarify issues or request additional information. CRA will make such requests in writing via email (MonPower-RFPManager@crai.com) and Respondent will be required to respond to the request within five (5) business days of receipt of such request or CRA may deem the Respondent's Proposal (see Section 2.3) ineligible and not in consideration for further evaluation.

4.2.2 EVALUATION COMPONENTS

CRA will review and evaluate Proposals to identify the Proposal(s) that meets the capacity needs of Mon Power and provides the best combination of value, risk, and reliability for Mon Power and its customers. To accomplish this, CRA will assess each Proposal against a scoring system that includes cost and non-cost factors. This approach allows a thorough and efficient review that appropriately

weighs diverse factors and maximizes CRA's ability to compare Proposals on a level, objective basis. The Proposal(s) that are selected from the RFP process for recommendation to Mon Power will be those that earn the most points and represent a portfolio that most efficiently fulfills Mon Power's needs.

During the evaluation process, all Respondents' identities will remain confidential. Neither Mon Power nor its technical advisors will be made aware of the Respondent's identities during this time.

4.2.3 COST FACTORS: NET PRESENT VALUE CALCULATION

For each Qualified Proposal, CRA will calculate the net present value of expected customer impact ("NPV") for the full transaction associated with each Proposal. The NPV for each Qualified Proposal will be based on the data provided by the Respondent in accordance with Section 4.1 of this RFP, or provided in response to a Respondent-specific CRA information request as set forth below. NPV calculations will be based on standardized forecasts for energy and capacity market prices as well as future fuel prices. CRA will establish expected plant performance via a modeled dispatch for each Proposal. Some cost items, like labor rates, may be updated on a uniform basis to reflect expected costs should a generation asset become part of the Mon Power fleet.

Costs accounted for in the NPV calculations will account for compliance with existing environmental regulations and permits applicable to the proposed facility. This relates to local, state, and federal regulations. For coal fired resources, this should include coal ash regulations. Impacts considered will include, but not be limited to, upgrade costs, outages associated with upgrades, increased operations and maintenance costs, operational limitations, permit costs, and administrative costs. All such expected costs, both one-time and recurring, should be provided by the Respondent.

During this analysis, if a Proposal for a generation facility is to receive credit for the risk-reducing characteristics of its fuel arrangements, Respondent must provide the costs of those arrangements. Likewise, if a generation Proposal is to receive credit for sourcing fuel from within West Virginia and does not historically do so (with all or part of its fuel supply), Respondent must provide the costs of those alternative arrangements for CRA's consideration.

For Proposals based on new or planned generating assets, evaluation of revenues and plant performance in the NPV calculation will be based on CRA's dispatch modeling, based on quoted performance and PJM fleet average for similar technologies.

Analysis rules and projections will be developed by CRA and will reflect assumptions about the future trajectory of operating costs and capital

investments at generating units in the Mid-Atlantic United States. The rules used to make such projections will be applied by CRA consistently across all Respondents, as will all elements of the NPV analysis. Analysis rules are the proprietary property of CRA and Mon Power and will not be made available to Respondents.

The rules for the performing the NPV analysis will be determined by CRA and Mon Power in advance of the receipt and review of any Proposals. However, as part of the process of evaluating Proposals, cases may arise where, in order to adequately project asset costs or to facilitate a comparison between Qualified Proposals, the rules related to the NPV analysis may require review and/or adjustment. To the extent that any additions or adjustments are required, such additions or adjustments will be made solely by CRA. In such cases, any and all rules will be applied consistently across all Respondents.

While performing NPV analyses of Proposals, CRA may request additional or clarifying information from a given Respondent regarding unit performance, operating costs or other factors that influence the NPV calculation for a given capacity resource. Requests for additional information may be required to ensure that all Qualified Proposals are fairly and consistently evaluated. Consistent with Section 2.3, in such cases, Respondents will be required to respond within five (5) business days of receipt of such request. CRA will not consider unsolicited updates from Respondents related to the cost of any capacity resource.

4.2.4 NON-COST FACTORS

4.2.4.1 Generation Facility Unit Location

Mon Power, consistent with the requirements of the West Virginia Code, prefers Proposals that benefit the economy of West Virginia.⁶ This evaluation criterion will reflect this preference.

4.2.4.2 Generation Facility Fuel Usage

⁶ See W. Va. Code §§ 24-1-1(a)(3), 24-2-1d(a) and (c), and 24-2-1g(a)-(b).

In addition to having an express preference for generating assets to be located within the State of West Virginia, the West Virginia Code also requires preference be given to generators that burn fuel sourced in West Virginia.⁷ Accordingly, points associated with this criterion will reflect the proportion of fuel used at the plant that is sourced from West Virginia, as provided in Section 4.1.4.3. If a plant has not historically sourced fuel from West Virginia, but would be able to, such fuel arrangements may earn points in this category as long as the associated costs are provided for consideration in the NPV calculation.

4.2.4.3 Fuel Risk

Proposals are preferred that include fuel availability throughout the year, by having reliable primary fuel transportation, a secondary delivery route, and /or on-site storage for reliability in the event of temporary disruptions to the primary fuel transportation. In addition to the importance of overall reliability, fuel security is important in the context of PJM Capacity Performance requirements.

The Proposal will be evaluated based on CRA's assessment of the demonstrations made and how that would affect the Proposal's associated fuel risk and the impact on Mon Power's ability to serve its capacity needs. A Proposal may only earn points for characteristics for which the associated costs have been provided for consideration in the NPV calculation.

4.2.4.4 Development, Permitting, and Approval Risks

Mon Power has a need for capacity and expects to make commitments in the PJM capacity market based on the selected proposal. Therefore, Proposals will be evaluated based on the risks associated with proposed development plans and the associated contractual commitments. Additionally, plans for significant upgrades to existing facilities that are required to support continued operation will also be evaluated. Evaluation of the risk of development plans will include review of proposed schedule, budget, permitting, and required approvals. Proposals should include advanced and well-defined development plans.

Proposals for existing generation facilities will automatically receive all available points in this category. For evaluation of new generating assets, Proposals will be evaluated based on CRA's assessment of the demonstrations made and how

⁷ See W. Va. Code § 24-2-1d(a) and (c),

such demonstrations would affect the Proposal's ability to ultimately be developed and serve Mon Power's needs.

4.2.4.5 Ease of Integration

Mon Power is seeking generation facilities that, if possible, can be cost-effectively and efficiently incorporated into its operating and corporate frameworks. CRA will review Proposals on this criterion as it relates to the following metrics:

- manufacture and vendor warranty transferability;
- fuel and fuel transportation contract flexibility and transferability;
- employee integration (union and non-union);
- assumption or ability to replace existing contracts (e.g., long-term service agreements, maintenance, *etc.*);
- compatibility of control systems;
- integration or cancellation of supply chain and other vendor agreements; and
- acceptability of standard agreements provided with this RFP.

Proposals will be evaluated based on CRA's assessment of the demonstrations made and how that would affect the Proposal's ability to be integrated into Mon Power's corporate and operating frameworks.

4.2.4.6 Additional Proposal-Specific Risk Factors

Certain risk factors may be unique to a Proposal and may be significant enough to independently impact the overall ability of the Proposal to meet Mon Power's needs. For example, if there is uncertainty whether a key operating permit/license for a facility can be renewed, thereby jeopardizing the ability of the facility to continue operating, then that risk will also be included as an independent consideration in the final summary evaluation. Additionally, if a Proposal includes a generation facility that has undergone frequent ownership changes in recent years, this could impact the generation facility due to differences in operational and maintenance practices and procedures, and could impact the quality of the data provided by Respondents for the proposed generation facility. Any such risks should be disclosed along with a description of the associated measures taken to mitigate the risk. Failure to disclose a reasonably foreseeable risk or risks may be a basis to disqualify a Proposal.

Proposals with no such risks as determined by CRA will receive the full number of points available in this category. Proposals with asset- or project-specific risks that are not able to be fully mitigated may receive fewer points depending on CRA's assessment.

4.3 Discussion of Proposals During Evaluation Period

During the evaluation process, CRA may gather additional information from one or more Respondents. Any such communications with a Respondent shall in no way be construed as commencing contract negotiations, or as negotiations to purchase a generation facility from such Respondent.

4.4 Selection of Highest Scoring Proposal(s)

Once the total score for each Qualified Proposal has been calculated based on the RFP responses, CRA will identify the Proposal or portfolio of Proposals that meets Mon Power's capacity needs, amounting to approximately 1,400 MW UCAP to be acquired by Mon Power. To meet its needs, Mon Power may need to contract with multiple generating assets and/or demand resource(s). In order to secure the overall bundle of Proposals that meets Mon Power's capacity needs, there is no assurance that the individual, highest-scoring Qualified Proposal(s) will be selected.

4.5 Contract Execution

Mon Power does not, by this RFP, obligate itself to purchase any generation facility or facilities, or to execute the Asset Purchase Agreement with any Respondent who submits an offer to sell generation capacity to Mon Power and Mon Power may, in its discretion, reject any or all Proposals to supply generation capacity to Mon Power, as such are described in this RFP.

Selection of a winning Proposal shall not be construed as a commitment by Mon Power to execute the APA. During the period between when CRA makes its recommendation(s) to Mon Power and the date of execution of the APA, Mon Power will conduct additional due diligence on the Proposal which may include, but not be limited to, onsite visits, management interviews, legal and regulatory due diligence and detailed engineering assessments.

4.6 Generation Proposal Fee

The non-refundable fee for evaluating each Proposal for a generation facility is \$10,000. Respondents must pay a separate fee for each Proposal submitted. This sum will serve to defray evaluation costs by CRA and limit extraneous

proposals. Respondents can find instructions for paying fees for their Proposal(s) on the RFP website.

5 Demand Resource Proposals

Mon Power seeks to procure demand side resource(s) (“Demand Resource(s)” or “DR”) from one or more Mon Power or Potomac Edison-West Virginia customers (each a “Customer”) or Curtailment Service Provider(s) (“CSP”)(collectively, “DR Supplier(s)”), in an amount up to 100 MW of Demand Resources located entirely within the Mon Power/Potomac Edison-West Virginia service territories. Proposals for Demand Resources are to be for assets that are eligible to participate in the PJM RPM capacity market as Capacity Performance resources and available for a four-year period starting in the 2021/2022 Delivery Year and that can meet the additional performance requirements of Mon Power as described in 5.1 and 5.3 hereof. The term of any agreement between Mon Power and a DR Supplier will be four (4) years (June 1, 2021 – May 31, 2025). Demand Resources will be procured from not more than a total of five (5) DR Suppliers.

Proposals for Demand Resources may be included with a Proposal to sell a generation facility to Mon Power as described in Section 4 hereof, or may be submitted on a standalone basis. In addition to the requirements set out in this section, Proposals offering a Demand Resource as a standalone product must also meet the RFP General Requirements set out in Section 3 herein.

5.1 Demand Resource Product Definition

To be eligible for participation in this RFP, the Demand Resources offered by a DR Supplier must:

- meet all eligibility and performance requirements for participation in the PJM RPM as a Capacity Performance demand resource, according to

those definitions and requirements included in the currently-effective PJM Tariff and PJM Manual 18 as of the date of issuance of this RFP;⁸

- meet the additional performance requirements described in Section 5.3 herein;
- be sourced from locations entirely within the Mon Power/Potomac Edison-West Virginia service territories of the APS zone;
- be at least 10 MW and not more than 100 MW of demand resources (whether from a Demand Resource Customer or CSP) from a single location or aggregated from multiple locations, with the amount of demand reduction capability determined in accordance with the method described in 5.4.1;
- use an existing, proven technology that has demonstrated reliable demand reduction, as such is defined for the PJM footprint, which may include use of behind the meter generation; and
- reduce load by a predetermined amount within thirty (30) minutes of notification by Mon Power of a curtailment event without further direction or communication by or from Mon Power.

5.2 Demand Resource Purchase Agreement

This RFP contains a proposed form of the DR Agreement that DR Supplier will be expected to execute with Mon Power. DR Suppliers should download the form from the RFP website (www.MonPower-RFP.com) and be prepared to execute the DR Agreement upon notification of selection as a winning supplier of Demand Resource(s). Submission of a separate DR Agreement will not be considered and may cause a DR Supplier's Proposal to be disqualified.

With respect to a Proposal from a CSP, Mon Power will not be responsible for communicating with or managing the relationship or performance of any customer within an aggregation ("Program Participants"), and the CSP shall be

⁸ DR Suppliers will be expected to ensure that their Demand Resource(s) continue to satisfy the requirements to be a Capacity Performance demand resource, as set forth in the PJM Tariff and PJM Manual 18 as of the date of issuance of this RFP, even if PJM makes changes to those requirements during the term of any agreement between Mon Power and a DR Supplier.

solely responsible for the same in all respects. Accordingly, the DR Agreement provides that with respect to a Proposal from a CSP, the CSP, and not Mon Power, shall be responsible for any and all Program Participant relationships, the performance of the obligations of any Program Participant within an aggregation, and payments to such Program Participants.

To mitigate risk, Mon Power may require the DR Supplier to provide additional collateral (*i.e.*, collateral in excess of that posted with the submission of the Proposal) upon execution of a DR Agreement. Mon Power reserves the right to determine the required form and amount of that additional collateral requirement for the winning Proposal.

5.3 Emergency Curtailment Events: Notification and Performance Requirements

Demand Resources offered by a DR Supplier must meet notification and performance requirements applicable to an “Emergency Curtailment Event”, as defined and described herein. For purposes of this RFP and any DR Agreement executed following this RFP, an “Emergency Curtailment Event” shall be one in which either Mon Power or PJM determines, in its respective sole discretion, that an emergency situation exists that may jeopardize the integrity of either the distribution or transmission system in the area. PJM, which is the regional transmission organization of which Mon Power is a member, may also initiate an Emergency Curtailment Event upon its sole determination that a pre-emergency situation exists.

5.3.1 NOTIFICATION, PERFORMANCE, AND TEST REQUIREMENTS

Emergency Curtailment Events initiated by PJM: For Emergency Curtailment Events initiated by PJM, DR Suppliers must agree to and be capable of meeting, throughout the entire term of the DR Agreement,⁹ all notification and performance requirements applicable to Capacity Performance demand resources, as set forth in the PJM tariff and PJM Manual 18 at the time of the

⁹ DR Suppliers will be expected to ensure that their Demand Resource(s) continue to satisfy the requirements to be a Capacity Performance demand resource, as set forth in the PJM Tariff and PJM Manual 18 that are in effect as of the date of issuance of this RFP, even if PJM makes changes to those requirements during the term of the DR Agreement.

issuance of this RFP. During Emergency Curtailment Events initiated by PJM, PJM will notify Mon Power using the applicable notification methods and requirements set forth in the PJM tariff and PJM Manual 18. Then, Mon Power will notify the DR Suppliers of an Emergency Curtailment Event by issuing an electronic message to a device or devices such as telephone, facsimile, or email, selected and provided by the DR Supplier and approved by Mon Power. DR Suppliers must curtail Actual Measured Load to "Firm Contract Load" by the time specified by PJM and communicated by Mon Power to the DR Supplier.¹⁰ During the entire period of an Emergency Curtailment Event initiated by PJM, the DR Supplier's Actual Measured Load must remain at or below its Firm Contract Load with such load being measured every clock half hour. A DR Supplier's Actual Measured Load shall be determined using the highest kW during the Emergency Curtailment Event. Mon Power will provide the DR Supplier a notification of when Emergency Curtailment Events initiated by PJM have ended.

Emergency Curtailment Events initiated by Mon Power: In addition to meeting the notification and performance requirements applicable to PJM Capacity Performance demand resources, DR Suppliers must also agree to and be capable of meeting the following additional notification and performance requirements applicable to Emergency Curtailment Events initiated solely by Mon Power:¹¹

- DR Suppliers must curtail Actual Measured Load to "Firm Contract Load" within thirty (30) minutes of the time Mon Power sends such notification to the DR Supplier;
- an Emergency Curtailment Event requested solely by Mon Power or a transmission operator within the Mon Power/Potomac Edison-West Virginia service territories of the APS zone may occur anytime during the year with no restrictions on the number of events or the duration of an event;

¹⁰ For purposes of this RFP and any Agreement resulting from this RFP, "Firm Contract Load" shall be that portion of a DR Supplier's electric load that is not subject to curtailment. The Firm Contract Load shall be decided by the DR Supplier at the time the DR Agreement is executed.

¹¹ Mon Power-initiated Emergency Curtailment Events may include events resulting from any distribution or transmission issues within the Mon Power and/or Potomac Edison-West Virginia service territories.

- notification of an Emergency Curtailment Event initiated solely by Mon Power will consist of an electronic message issued by Mon Power to a device or devices such as telephone, facsimile, or email, selected and provided by the DR Supplier and approved by Mon Power. Two-way information capability shall be incorporated by Mon Power and the DR Supplier in order to provide confirmation of receipt of notification messages. Mon Power will provide the DR Supplier a notification of when Emergency Curtailment Events have ended. Operation, maintenance and functionality of communication devices for receipt of notifications selected by the DR Supplier shall be the sole responsibility of the DR Supplier, and receipt of notifications set out in this paragraph shall be the sole responsibility of the DR Supplier; and
- during the entire period of an Emergency Curtailment Event initiated by Mon Power, the DR Supplier's Actual Measured Load must remain at or below its Firm Contract Load. A DR Supplier's Actual Measured Load shall be determined using the highest kW during the Emergency Curtailment Event as measured by Mon Power every clock half hour.

Mon Power will provide notice to PJM of any Mon Power-initiated Emergency Curtailment Event to ensure coordination.

Test Requirements: In a PJM delivery year (June 1st – May 31st) when an Emergency Curtailment Event has not been requested of DR Suppliers by PJM between June 1 and May 7, Mon Power shall declare an Emergency Curtailment Test Event of all DR Suppliers by May 31 in order to meet Mon Power's PJM test obligations for Load Management Resources. The duration of this test will be one hour. Mon Power will schedule the test and the DR Suppliers shall receive advance notification of the test. All provisions of the DR Agreement shall apply to this test.

5.3.2 REMEDIES FOR NON-PERFORMANCE

If at any time during an Emergency Curtailment Event, a DR Supplier's Actual Measured Load exceeds one-hundred ten percent (110%) of its Firm Contract Load, the DR Supplier shall : (i) forfeit its payment for the month in which the Emergency Curtailment Event occurred; (ii) pay the sum of all payments received by the DR Supplier under the DR Agreement during the immediately preceding twelve billing months; and (iii) pay an Emergency Curtailment Event Charge which equals the amount of DR Supplier's actual hourly load during an Emergency Curtailment Event that exceeds the customer's pre-established contract Firm Contract Load multiplied by three hundred percent (300%) of the PJM Real-Time Locational Marginal Price as defined and specified by PJM at the appropriate pricing node during the applicable hour(s). In addition, Mon Power

will have the right, to be exercised at Mon Power's sole discretion, to suspend (for a minimum of 12 months) or terminate the DR Agreement with respect to a DR Supplier or, in the case of a CSP, with respect to one or more of that DR Supplier's customers.

If at any time during the Emergency Curtailment Event, a DR Supplier's Actual Measured Load is greater than one hundred percent (100%) and less than or equal to one-hundred ten percent (110%) of its Firm Contract Load during the Emergency Curtailment Event, the DR Supplier shall forfeit its payment for the month in which the Emergency Curtailment Event occurred and shall pay the Emergency Curtailment Event Charge described above.

A DR Supplier shall be responsible for, and shall indemnify Mon Power for, any PJM non-performance penalties, costs, charges or other amounts assessed by PJM and incurred by Mon Power as a result of non-performance attributable to the DR Supplier's Demand Resources, including but not limited to any Capacity Resource Deficiency Charges, Non-Performance Charges or similar charges or penalties under the PJM Agreements. In no event shall the penalties listed above for non-performance during an Emergency Curtailment Event be less than the sum of any PJM non-performance penalties, costs, charges or other amounts incurred by Mon Power as a result of non-performance attributable to the DR Supplier's Demand Resources and the Emergency Curtailment Event charge.

5.4 Demand Resource Proposal Requirements

5.4.1 ACQUISITION PRICE

DR Suppliers shall submit an acquisition price consisting of a single fixed amount denominated in units of dollars per megawatt-month (\$/MW-month), which is to apply for the term of the DR Agreement ("Acquisition Price"). If a Proposal is accepted, the DR Supplier will be compensated in an amount equal to the monthly Curtailable Load times the Acquisition Price.¹² The Proposal should

¹² Curtailable Load shall be calculated for each DR Supplier by subtracting the contract Firm Contract Load from the DR Supplier's monthly highest thirty (30) minute integrated kW load occurring during the non-holiday weekday hours of 11 AM to 5 PM EPT. In no circumstance can Curtailable Load be negative or can the Curtailable Load be in excess of the Curtailable Load cap agreed to and included in the DR Agreement.

include all monetary consideration for the Demand Resource(s) offered. DR Suppliers must submit their best and final price with their Proposal.

Should Mon Power execute a DR Agreement with a Respondent, the contract price between Mon Power and the Respondent set forth in the DR Agreement will be the Acquisition Price submitted in its respective Proposal through this RFP process.

5.4.2 DEMAND RESOURCE PRODUCT DESCRIPTION

A Proposal is expected to include a description of the individual Demand Resource Customer, or the aggregation of the Program Participants of the CSP (including a list of curtailable Program Participants included in the Proposal with Electric Distribution Company (“EDC”) 20-digit account numbers and individual expected load drop values (kW)), equipment and technology that will be deployed, and for CSPs, plans for recruiting, engaging, and maintaining Program Participants.

Mon Power must have a high degree of confidence in the DR Supplier’s ability to manage Demand Resources to meet the RFP requirements. To address these risks, the Proposal should discuss the experience, qualifications, and financial strength of the DR Supplier and other key contributors. For CSPs, Proposals should describe well-defined roles and responsibilities of the DR Supplier and its Program Participants. The DR Supplier should describe successful protocols, if any, they have employed in the Mon Power APS Zone or other PJM zones for dispatching their Demand Resource(s).

For planned Demand Resource(s), the DR Supplier must fully describe specific plans detailing what equipment or technology it will deploy and/or utilize to support its operations. For CSPs, Proposals must describe DR Supplier’s processes for aggregating Program Participants, how the DR Supplier intends to recruit and engage Program Participants, and/or provide lists of Program Participants. The Proposal also must describe curtailment systems and procedures, budgeting for and structure of dispute resolution, and plans for communicating with Program Participants in connection with a curtailment period.

5.4.3 DEMAND RESOURCE TECHNICAL REQUIREMENTS

Under any DR Agreement executed as a result of this RFP, Mon Power shall acquire all rights, titles and interests in the Demand Resources including all the potential capacity and energy revenues associated with that Demand Resources. DR Suppliers must agree to cooperate with Mon Power in providing information needed to meet all PJM Demand Resource information requirements.

As described in more detail in the DR Agreement, the DR Supplier will assume all responsibilities and liabilities associated with providing the Demand Resources. Accordingly, Proposals offering Demand Resources must include the DR Supplier's acknowledgment and agreement that the DR Supplier is responsible for the following non-exhaustive list of activities and obligations:

- managing load reductions, including all notices, communications, controls, equipment, or other processes required;
- if the DR Supplier is a CSP, determining the number of Program Participants, if any, in its aggregation, the number of interruptible hours per customer, and the size of the Program Participants' load reduction;
- if the DR Supplier is a CSP, paying any Program Participants according to the CSP's agreement with those Program Participants. Such agreements shall be independent of Mon Power's DR Agreement with the CSP and must hold Mon Power harmless for any direct or indirect obligations or liability associated with the program; and
- paying penalties assessed pursuant to the DR Agreement due to the non-performance of the Demand Resource.

The DR Agreement shall reflect that it will be the DR Supplier's responsibility to reimburse Mon Power for any penalties, fees, or charges resulting from non-performance of its Demand Resource(s), and the DR Supplier's obligation to indemnify and hold Mon Power harmless against any claim, etc., arising from such non-performance. In the case of a DR Supplier who is a CSP, the DR Agreement will additionally set forth CSP's responsibility to reimburse Mon Power for any penalties, fees, or charges resulting from non-performance of any CSP Program Participant, and CSP's obligation to indemnify and hold Mon Power harmless against any claim, etc., arising from such CSP Program Participants' non-performance.

5.5 Evaluation Methodology

CRA will identify for recommendation to Mon Power the Demand Resource Proposal or portfolio of Proposals that contribute to Mon Power's capacity needs

on a qualification plus cost basis. First, CRA will evaluate whether Proposals offering Demand Resources meet the requirements of this Section 5 and provide complete details such that CRA is confident in the ability of the DR Supplier to deliver the Demand Resource(s).

Second, for Proposals that meet the above requirements, CRA will evaluate the proposed Acquisition Price in Section 5.4.1. If the evaluation shows that the proposed Acquisition Price is less than one-hundred twenty-five percent (125%) of an independently developed capacity price forecast in RPM during the same period, Proposal may be recommended. If the evaluation shows that the proposed Acquisition Price is greater than one-hundred twenty-five percent (125%) of independently developed capacity price forecast in RPM during the same period, a Proposal will be eliminated from consideration. Proposals will be rank ordered and recommended to Mon Power based on the same metric.

5.6 Contract Execution

Mon Power does not, by this RFP, obligate itself to purchase any Demand Resources, or to execute a DR Agreement with any Respondent who submits an offer to sell Demand Resources to Mon Power and Mon Power may, in its discretion, reject any or all Proposals to sell Demand Resources to Mon Power, as such are described in this RFP.

Selection of a winning Proposal shall not be construed as a commitment by Mon Power to execute the DR Agreement. Execution of any DR Agreement is contingent upon Mon Power receiving all required regulatory approvals and completion of such due diligence as Mon Power in its sole discretion determines is reasonable to confirm the qualifications and performance of a given Demand Resource. During the period between when CRA makes its recommendation(s) to Mon Power, and the date of execution of the DR Agreement, Mon Power may conduct additional due diligence on the Proposal.

5.7 Demand Resource Proposal Fee

There is no Proposal fee for DR Proposals. DR Suppliers should refer to Section 10.1 for credit support requirements for the submission of a Proposal and for execution of the DR Agreement.

6 Proposal Submission

All Proposal documents must be submitted through the RFP website. As described above, if there are problems with the website on the delivery date, the due date will be extended as described in Section 2.4, footnote 1.

6.1 Format and Documentation

The primary application, including responses to all of the content requirements of Section 4, should be provided in Microsoft Word and Adobe Acrobat PDF file format.

An Information Form Addendum template is available on the RFP website in Microsoft Excel file format. This file allows for:

- standardized entry of economic, financial, and operating data necessary to perform the net present value analysis described in Section 4.2.3;
- standardized entry of proposal characteristics related to local economic impact, as necessary to perform the economic impact assessment described in 4.2.4.1; and
- cataloguing of other files associated with the Proposal, including file names and descriptions. Such files include permits, applications, approvals, and contractual arrangements.

All data related to economic, financial, and operating characteristics of a generation facility should be provided on a unit basis rather than for the plant as a whole (if a plant is made up of multiple units). Other data may be provided on an aggregated plant basis.

Respondents will maintain the order and format of the worksheets to facilitate CRA's review of the Proposal. The Information Form Addendum should be submitted in the same Microsoft Excel file format as provided in the template form.

Financial statements, annual reports, and other large documents may be referenced via a web site address. If possible, all such documents should be made available in Adobe Acrobat PDF file format.

6.2 Certification

Each proposal should include the following statement, signed by an authorized representative of Respondent and notarized:

"I, _____ am an authorized representative of _____ ("Respondent") and hereby certify and affirm that: (i) I am authorized to obligate the Respondent to the terms of its Proposal; (ii) the Respondent's Proposal shall remain binding until May 4, 2017 or, if the Proposal is selected, until the transaction receives all necessary regulatory approvals; (iii) the Respondent agrees to all of the terms, conditions and requirements of this RFP; and (iv) neither Respondent nor any

person or entity acting or purporting to act on its behalf or with Respondent has entered into any combination, conspiracy, agreement or other form of collusive arrangement with any person, corporation, partnership or other entity, which directly or indirectly has to any extent lessened competition between the Respondent and any other person or entity for this RFP.”

7 Reservation of Rights

Mon Power reserves the right, without qualification, to reject any or all Proposals and to waive any irregularity in submitted information. There is no assurance, express or implied, that any agreement will be executed pursuant to this RFP. Mon Power also reserves the right to solicit additional Proposals it deems necessary and the right to submit additional information requests to Respondents during the Proposal evaluation process.

This RFP shall not, by itself, give any right to any party for any claim against Mon Power. Furthermore, by submitting a Proposal, the Respondent shall be deemed to have acknowledged that Mon Power assumes no liability with respect to this RFP or any matters related thereto. Respondent acknowledges and agrees that Mon Power may terminate this RFP at any time and for its convenience without liability to Respondents, its advisors, consultants and agents. By submission of a Proposal, the Respondent, for itself as well as for its successors and assignees (if any), agrees that, as between Respondent and Mon Power, Respondent is to be solely responsible for all claims, demands, accounts, damages, costs, losses and expenses of whatsoever kind in law or equity, known or unknown, foreseen or unforeseeable, arising from or out of this RFP or its Proposal.

Mon Power reserves the right to modify this RFP for any reason and at any time. Such changes prior to bidding will be communicated to Respondents who submit a valid Intent to Bid Form.

8 Confidentiality of Information

All Proposals submitted in response to this RFP become the responsibility of CRA upon submittal. Respondents should clearly identify each page of information considered to be confidential or proprietary. Consistent with the NDA, CRA will take reasonable precautions and use reasonable efforts to maintain the confidentiality of all information so identified. Mon Power reserves the right to release any Proposals, or portions thereof, to agents, attorneys or consultants for purposes of proposal evaluation. Regardless of the confidentiality claimed, however, and regardless of the provisions of this RFP, all such information may be subject to review by, and disclosable by Mon Power, to the

appropriate state authority, or any other governmental authority or judicial body with jurisdiction relating to these matters, and may also be subject to discovery by other parties.

9 Regulatory Approvals

Pursuant to the terms of the Definitive Agreement(s), the Respondent will agree to use its reasonable best efforts, including, if necessary, providing data and testimony, to obtain any and all State, Federal, or other regulatory approvals required for the consummation of the transaction.

Please note in particular that approval by the PSC and FERC will be required before the transaction can be consummated between the selected Respondent and Mon Power.

10 Credit Qualification and Collateral

CRA will evaluate the credit quality and related collateral posting requirements for each Respondent submitting a Proposal(s) for new generation facilities or Demand Resources, in accordance with a uniform and consistent application of Mon Power risk management practices and standards, in two phases: (i) as part of CRA's evaluation of a Respondent's qualification to submit a Proposal; and (ii) if a Respondent is selected, during the negotiation of the Definitive Agreement. A Respondent shall have the corresponding obligation to post collateral ("Initial Collateral") as determined in accordance with this Section 10.1, as part of its Proposal, and the obligation (if selected) to post collateral ("DA Collateral") at the execution of the Definitive Agreement. In each case, the Initial Collateral and the DA Agreement Collateral must be in the form of eligible collateral ("Eligible Collateral"), which for purposes of this RFP shall be either: (a) a letter of credit; or (b) cash, in each case as reasonably determined by CRA (during the qualification stage) and by CRA/Mon Power (during the Definitive Agreement negotiation stage). Respondents can find instructions for posting collateral on the RFP website. CRA and Mon Power reserve the right to require a Respondent to post DA Agreement Collateral in an amount that exceeds the Initial Collateral amount.

10.1 Initial Collateral Requirements

In order to demonstrate its eligibility to submit a Proposal and to demonstrate credit quality, each Respondent shall be required to post Eligible Collateral along with the submission of the Proposal. The Eligible Collateral shall be determined on the basis of the type of Capacity Asset reflected in the Proposal and in the specified amounts below for each MW of Capacity Asset reflected below:

- | <u>Capacity Asset</u> | <u>Eligible Collateral Amount</u> |
|---|-----------------------------------|
| • New Generation Facility ¹³ | \$53.68/kW of facility capacity |
| • Demand Resources | \$35.71/kW of demand reduction |

The Initial Collateral shall remain in place until CRA and Mon Power have determined the amount of DA Collateral to be posted by the selected Respondent, and that DA Collateral is actually posted by the selected Respondent at the execution of the Definitive Agreement.

10.2 DA Collateral Requirements

During the negotiation of the Definitive Agreement, CRA and Mon Power will determine the required form of DA Collateral a Respondent must satisfy at the execution of the Definitive Agreement. The DA Collateral to be posted will be dependent in part on the type of Capacity Asset reflected in the selected Respondent's Proposal as there are various potential risks and liabilities (a non-exhaustive list of which appear below) that CRA and Mon Power must assess in determining the amount of DA Collateral:

¹³ Existing generation facilities that are currently in commercial operation are not required to post collateral. However, existing generation resources that are not currently in commercial operation and would require additional investments to bring back into commercial operation, such as mothballed generation facilities, are required to post Eligible Collateral, which shall be calculated using the Eligible Collateral requirements for new generation facilities.

Capacity Asset

Reason for Collateral Posting

New Generation Facility

To secure the Respondent's development efforts to satisfy interim milestones, establish consequences for failing to meet interim milestones, delay damages, final deadline for achieving commercial operation and possible step-in rights.

Demand Resource

To protect Mon Power in the event that (a) the DR Supplier fails to provide the committed amount of demand reduction as required under the DR Agreement and Mon Power is required to acquire a replacement demand reduction resource at an incremental cost, or (b) the DR Supplier fails to reduce demand when called upon and Mon Power is assessed a penalty, charge, or fee by PJM for such nonperformance.

In the case of DA Collateral posted with respect to an existing generation facility or a new generation facility, the Respondent shall cease to be required to maintain the DA Collateral once the purchase of the generation facility is consummated. DA Collateral posted by a DR Supplier shall be maintained during the term of the DR Agreement.

11 Miscellaneous

11.1 Non-Exclusive Nature of RFP

Mon Power may procure more or less than the amount of Capacity Assets solicited in this RFP from one or more Respondents. Respondents are advised that any Definitive Agreement executed by Mon Power and any selected Respondent may not be an exclusive contract for the provision of Capacity Assets. In submitting a Proposal(s), Respondent will be deemed to have acknowledged that Mon Power may contract with others for the same or similar deliverables or may otherwise obtain the same or similar deliverables by other means and on different terms.

11.2 Information Provided in RFP

The information provided in this RFP, or on Mon Power's RFP website, has been prepared to assist Respondents in evaluating this RFP. It does not purport to contain all the information that may be relevant to Respondent in satisfying its due diligence efforts. Mon Power makes no representation or warranty, express or implied, as to the accuracy, reliability or completeness of the information in this RFP, and shall not be liable for any representation, expressed or implied, in this RFP or any omissions from this RFP, or any information provided to a Respondent by any other source.

11.3 Proposal Costs

Mon Power shall not reimburse Respondent and Respondent is responsible for any cost incurred in the preparation or submission of a Proposal(s), in negotiations for an agreement, and/or any other activity contemplated by the Proposal(s) submitted in connection with this RFP. The information provided in this RFP, or on Mon Power's RFP website, has been prepared to assist Respondents in evaluating this RFP. It does not purport to contain all the information that may be relevant to Respondent in satisfying its due diligence efforts.

11.4 Indemnity

Supplementing Respondent's assumption of liability pursuant to this RFP, Respondent shall indemnify, hold harmless and defend Mon Power, and its officers, employees and agents, from any and all damages, liabilities, claims, expenses (including reasonable attorneys' fees), losses, judgments, proceedings or investigations incurred by, or asserted against, Mon Power or its officers, employees or agents, arising from, or are related to, this RFP, or the execution or performance of one or more Definitive Agreements.

11.5 Hold Harmless

Respondent shall hold Mon Power harmless from all damages and costs, including, but not limited to, legal costs in connection with all claims, expenses, losses, proceedings or investigations that arise as a result of this RFP or the award of a proposal pursuant to the RFP or the execution or performance of a Definitive Agreement.

11.6 Further Assurances

By submitting a Proposal, Respondent agrees, at its expense, to enter into additional agreements, and to provide additional information and documents, in either case as requested by CRA in order to facilitate: (a) the review of a

Proposal; (b) the execution of one or more Definitive Agreements; or (c) the procurement of regulatory approvals required for the effectiveness of one or more Definitive Agreements.

11.7 Licenses and Permits

Respondent shall obtain, at its cost and expense, all licenses and permits that may be required by any governmental body or agency necessary to conduct Respondent's business or to perform hereunder. Respondent's subcontractors, employees, agents and representatives of each in performance hereunder shall comply with all applicable governmental laws, ordinances, rules, regulations, orders and all other governmental requirements.