



DEMEC

Delaware Municipal Electric Corporation

22 Artisan Drive, PO Box 310, Smyrna, Delaware 19977 Phone 302 653-2733 Fax 302 653-2734



RFP FOR ENERGY MANAGEMENT SERVICES

April 29, 2019



April 29, 2019

To Whom It May Concern

By E-Mail only

Dear Sir or Madam:

Delaware Municipal Electric Corporation, Inc. (DEMEC) is accepting proposals from qualified Vendors to provide energy management services for 2, 3, 4 or 5 years. We invite you to submit a proposal to us by **May 24, 2019** for consideration. A description of our organization, the energy management services required, and the proposal requirements follow.

Background of DEMEC

DEMEC is a public corporation constituted as a Joint Action Agency and operating as a wholesale electric utility and generation owner. DEMEC represents nine municipal electric distribution utilities located in the state of Delaware. Nine of Delaware's largest cities and towns comprise DEMEC's membership: Newark, New Castle, Middletown, Dover, Smyrna, Seaford, Lewes, Clayton and Milford. DEMEC employs a small staff in two locations and manages a variety of professional, advisory, and consultative relationships in the areas of energy and regulatory risk management, power generation, plant operation and maintenance, and renewable energy. DEMEC is also a member of PJM Interconnection, LLC and transacts as a Load Serving Entity (LSE) and generation owner.

The DEMEC energy portfolio is comprised of the following components:

- Owner/Operator of the 2 unit, 100MW single cycle dual-fueled (NG/Oil) Warren F. Beasley Power Plant in Smyrna, Delaware
- Minority ownership in the 700MW AMP Fremont Energy Center in Ohio. (DEMEC is the largest participant owning 115 MW)
- Contracts with four major renewable energy facilities to purchase energy and/or environmental attributes:
 - Laurel Hill Wind Farm (69MW)
 - PSEG Milford Solar (13MW)
 - Smyrna Solar Facility (1.5MW)
 - Dover SunPark (1.5MW, SRECs Only)
- Bilateral contracts with capacity and energy providers for remaining supply requirements

DEMEC manages the State of Delaware mandated Green Energy Fund and the Municipal Renewable Portfolio Standard program for each of its nine members.

For other information, including past audited financial statements, please visit our website at www.demecinc.net.

Who May Respond

Only qualified energy management service providers may respond to this RFP.

Your Response to This Request for Proposal

In responding to this request, we request the following information:

1. The vendor is required to respond with a Technical Proposal (Part 1) that definitively responds Yes, No, or modified Yes with detailed explanation of the proposed modification to each Required Service item contained in Attachment 1.
2. Detail your firm's experience and business model in providing the Required Services specified in Attachment 1 to organizations in the electric utility industry, as well as entities of a comparable size to DEMEC. Provide information on your experience providing services to any related industry entities, associations or groups. Describe how and why your firm is different from other firms being considered, and why our selection of your firm as our service provider is in DEMEC's best interest.
3. Discuss the customer service relationship and the communication process used by your firm to discuss issues with DEMEC management. Please include the commitments you will make to staff continuity, including your staff turnover experience in the last three (3) years.
4. Identify the key account representatives (including biographies) who will be assigned to DEMEC if you are successful in your bid.
5. Indicate any complaints against your firm that have been leveled by any regulatory authority, if any. Indicate any corrective actions that have been taken by your firm with respect to these complaints.
6. Discuss the firm's use of technology, business continuity, and software in meeting your contract obligations.
7. Provide the names and contact information for other similarly sized clients of the customer service representative that will be assigned to our organization for reference purposes.
8. Provide a draft of your standard Vendor contract for energy management services. Please identify any Terms and Conditions that cannot be modified during negotiations if you are selected.
9. Include an original executed Appendix A & B with your proposal.
10. The Fee Proposal (Part 2) shall be submitted separately from the technical proposal and in the form of a fixed fee per year of the contract period, and total for the term of contract selected. If implementation fees are anticipated, please state those separately. Additional ad hoc consulting work will be negotiated separately but please provide your current hourly consulting fees.

Proposal Submission Instructions

5. Closing Submission Date

Printed Proposals must be received in the DEMEC offices at 22 Artisan Drive Smyrna, DE, 19977 and electronic proposals emailed to kschlichting@demecinc.net , no later than 3:00 p.m. on **May 24, 2019**.

All Vendors must submit three (3) printed Technical Proposals and a one word-searchable electronic Technical Proposal in one submission. All Vendors must submit one (1) printed Fee Proposal and a one word-searchable electronic Fee Proposal in a sealed envelope, which must be submitted separately from the Technical Proposal.

It is the responsibility of the Vendor to ensure that the entire two part proposal is received by DEMEC by the date and time specified above. Late proposals may not be considered.

6. Inquiries

Inquiries concerning this RFP should be directed to Kimberly Schlichting at kschlichting@demecinc.net with a copy to Patrick McCullar at pmccullar@demecinc.net.

7. Conditions on Proposal

All costs incurred in the preparation of a proposal responding to this RFP will be the responsibility of the Vendor and will not be reimbursed by DEMEC.

Fee proposal amounts must remain firm fixed amounts for 90 days from the proposal due date and remain in effect during contract negotiations.

By agreeing to take part in this proposal process, you agree to keep in confidence all information provided during the proposal process, not to disclose it to third parties and not to use it for any purpose other than for the Proposal. Please complete and sign Appendix A immediately and return to DEMEC via email to kschlichting@demecinc.net as evidence of your wish to participate in the Proposal process and your agreement to these conditions.

Evaluation of Proposals

DEMEC will evaluate proposals on a qualitative and quantitative basis. This includes our review of the Vendor's proposal and related materials, interviews with senior personnel to be assigned to our organization, results of discussions with other clients, and the Vendor's completeness and timeliness in its response to us.

DEMEC reserves the right to conduct discussions, either oral or written, with the Vendors determined by DEMEC to be reasonably viable for award selection. If discussions are held, DEMEC may request best and final offers.

The request for best and final offers may include:

- Notice that discussions are concluded;
- Notice that this is the opportunity to submit written best and final offers;
- Notice of the date and time for submission of the best and final offer;
- Notice that if any modification is submitted, it must be received by the date and time specified or it will not be considered; and
- Notice of any changes in DEMEC's requirements.

Notwithstanding anything in this RFP to the contrary, DEMEC reserves the right to reject without prejudice any and all Proposals received, or to award, without discussions or clarifications, a contract on the basis of initial Proposals received.

Therefore, each Proposal should contain the Respondent's best terms. DEMEC reserves the right to reopen discussions after receipt of best and final offers, if DEMEC chooses to do so. If discussions are reopened, DEMEC may issue an additional request for best and final offers from all Respondents determined by DEMEC to be reasonably viable for award selection.

DEMEC reserves the right to conduct clarifications to resolve minor issues. If only clarifications are sought, best and final offers may not be requested. DEMEC retains sole authority to determine whether contact with Vendors is for clarification or discussion.

It should be specifically understood that this RFP does not create any obligation on the part of DEMEC to enter into any contract or to undertake any financial responsibility. Likewise, DEMEC is not liable for any cost incurred by any Vendor prior to the execution of a written contract, including efforts to generate and submit proposals, or any other costs incurred while participating in this RFP process.

DEMEC also reserves the right to waive, alter, disregard, any and all portions of this RFP where the best interest of DEMEC would not be served.

DEMEC intends to notify the winning bid within 60 days of the Proposal Due Date.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Kimberly A. Schlichting', with a stylized flourish at the end.

Kimberly A. Schlichting
COO/SVP Operations & Power Supply

Appendix A – Agreement and Acknowledgement of Confidentiality

On behalf of _____, I (we) hereby acknowledge and agree to keep all Confidential Information received from DEMEC in confidence during the proposal process, not to disclose it to third parties and not to use it for any purpose other than for evaluation and preparation of the Proposal.

1. Confidential Information. The term “Confidential Information” as used in this RFP shall mean any and all written materials which are marked “confidential” provided by DEMEC, or ascertained through due diligence, investigation, or discussions between employees or agents of the Vendor or their Affiliates, if the recipient was told the information was “confidential.” Such Confidential Information shall include, but not be limited to, all marketing, technical, engineering, operational, economic, or financial knowledge, information or data of any nature whatsoever relating to the future, present, or past business, operations, plans or assets of DEMEC which is disclosed (either directly or through their agents) by DEMEC to the Vendor in connection with this RFP. Confidential Information shall not include the following:
 - a. Information which at the time of disclosure by DEMEC is in the public domain, or information which later becomes part of the public domain through no act or omission of the Vendor;
 - b. Information which the Vendor can demonstrate was known by it prior to disclosure;
 - c. Information received by the Vendor from a third party who, to the best of the Vendor’s knowledge, did not acquire such information on a confidential basis, either directly or indirectly, from DEMEC.
2. Disclosure and Use of Confidential Information. Vendor agrees to keep confidential all of DEMEC’s Confidential Information, and shall not, without DEMEC’s prior written consent, disclose to any third party, firm, corporation or entity such Confidential Information except as allowed herein. The Vendor may disclose and shall limit the disclosure of such Confidential Information to only those officers, employees, directors, agents (including attorneys, accountants, and similar consultants) of the Vendor (all of the foregoing shall be considered “Representatives”) reasonably necessary to prepare the Proposal. To the extent that any such persons are not employees of the Vendor, the Vendor shall obtain a signed writing evidencing the acceptance by such persons of the terms of this Confidentiality Agreement. Vendor shall use the Confidential Information only for the purpose of its internal evaluation and preparation of the Proposal. Vendor shall not make any other use, in whole or in part, of any such Confidential Information without the prior written consent of DEMEC.
3. Required Disclosure. In the event that either Vendor is requested or required by oral questions, interrogatories, requests for information or documents, subpoena, civil investigation, demand or similar process or by law or regulation: (a) to disclose any Confidential Information of DEMEC; or (b) to disclose the possibility of any engagement or the discussions pertaining thereto, it is agreed that the Vendor will provide prompt notice of such potential disclosure so that an appropriate protective order may be sought and/or a waiver of compliance with the provisions of this Confidentiality Agreement may be granted.
4. Return of Documents. Upon written request from DEMEC, Vendor shall return or destroy any and all written Confidential Information, as well as any other information disclosed to it by DEMEC,

including all originals, copies, translations, notes, or any other form of said material. If shredded, Vendor shall certify that it's been shredded and destroyed.

5. Survival of Obligations. The obligations and commitments established by this Confidentiality Agreement shall remain in full force and effect for a period of two (2) years from the date of this Agreement.
6. Governing Law. The validity and interpretation of this Agreement and the legal relations of the Parties to it shall be governed by the laws of the State of Delaware. In the event that a court of competent jurisdiction determines that any portion of this Agreement is unreasonable because of its term or scope, or for any other reason, the Parties agree that such court may reform such provision so that it is reasonable under the circumstances and that such provision, as reformed, shall be enforceable. The Parties further agree that service of any process, summons, notice or document by U.S. certified or registered mail to the Parties' respective executive offices will be effective service of process for any action, suit, or proceeding brought in any such court.
7. No Other Agreement. It is expressly understood that this Agreement is not and shall not be construed as any obligation or form of a letter of intent or agreement to enter into any transaction. Vendor may not rely on this Agreement or the negotiations or exchange of Confidential Information or other documentation between the Parties as a commitment to enter into binding definitive agreements concerning any engagement or transaction.
8. No Representations or Warranties. With respect to any information, including but not limited to Confidential Information, which DEMEC furnishes or otherwise discloses to Vendor for the purpose of evaluating and preparing any Proposal, it is understood and agreed that DEMEC does not make any representations or warranties as to the accuracy, completeness, or fitness for a particular purpose thereof. It is further understood and agreed that DEMEC shall have no liability or responsibility to Vendor or to any person or entity resulting from the use of any information so furnished or otherwise provided.
9. Severability. If any provision of this Agreement is declared void or otherwise unenforceable and cannot be reformed as provided in Section 6 hereof, such provision shall be deemed to have been severed from this Agreement, which shall otherwise remain in full force and effect.

IN WITNESS WHEREOF, the Vendor enters into this Agreement on the day and year written below.

Execution Date: _____

Attest

Signed

Print Name

Attest

Signed

Print Name

Appendix B – Vendor Warranties

- A. The Vendor certifies it can and will provide and make available, at a minimum, all services set forth in Attachment 1, as modified by your proposal.
- B. Vendor warrants that it is willing and able to comply with State of Delaware laws with respect to foreign (non-state of Delaware) corporations.
- C. Vendor warrants that it is willing and able to obtain an errors and omissions insurance policy providing a prudent amount of coverage for the willful or negligent acts, or omissions of any officers, employees or agents thereof.
- D. Vendor warrants that it will not delegate or subcontract its responsibilities under any agreement without the prior written permission of DEMEC.
- E. Vendor warrants that all information provided by it in connection with this proposal is true and accurate.

Signature of Official: _____

Name (printed): _____

Title: _____

Vendor: _____

Date: _____

Attachment 1 - CONFIDENTIAL
Required Services to be provided by VENDOR

The Vendor is required to respond with a technical proposal that definitively responds Yes, No, or modified Yes with a detailed explanation of the proposed modification to each Required Service item listed below.

Additional information about DEMEC's energy portfolio:

- DEMEC has two load points: DEMEC Aggregate and DPL-Lewes, all within DPL zone
- DEMEC's Beasley generation resources are offered Day Ahead by unit. One unit also has ability to participate Real Time in PJM Spinning Reserve market.
- Both Laurel Hills Wind and Fremont are daily eSchedules.
- Laurel Hills Wind facility has an annual specified number of curtailable wind energy hours that has to be optimized over the calendar year.
- All Solar Generation is considered load modifying and reduces the hourly load forecast.
- DEMEC estimates no more than 3-8 active bilateral schedules at any given time.
- DEMEC does reserve the right to self-schedule its generation to help manage fuel, perform testing when it is economical to do so. When DEMEC needs to self-schedule it works with VENDOR real-time desk to coordinate details of expected run.
- VENDOR would be expected to communicate with PJM and enter generation outages in PJM's eDart system.
- DEMEC provides 10 year load forecast for the Portfolio Model; and provides historic actuals for load and generation usage.
- DEMEC has two demand response (DR) programs: PJM Incentive program has 24 sites (approximately 16.5MWs) while the DEMEC Peak Incentive program has 13 sites (approximately 8MWs). VENDOR's load forecast model is used to forecast peak hours for DR programs. Notice is provided day-ahead and hour-ahead for starts and stops to DEMEC's participants by DEMEC's Customer Service Provider; not VENDOR.
- DEMEC is a NERC Generating Owner and limited DO, subject to certain electric reliability standards.

REQUIRED SERVICES: FRONT OFFICE

Portfolio Management and Operations Services including:

1. VENDOR will assist DEMEC in developing execution strategies and an action plan for managing the collective energy risks of DEMEC based on the time horizon and responsibilities it has been granted by DEMEC. Execution strategies may involve power, natural gas, capacity, financial transmission rights (FTRs), transmission positions, fuel transportation, and load management operations for periods from the next operating hour to 5 years forward.
2. VENDOR shall work with DEMEC to execute short term (one hour to four months) operating strategies designed to optimize DEMEC's power supply portfolio, within the authority and responsibility delegated to VENDOR by DEMEC. This service will include the optimization of contracts, unit dispatch, and power and natural gas spot market activity. DEMEC will grant VENDOR authority to act and make decisions on behalf of DEMEC, as its agent, to sell the short-term electric power and energy made available and to purchase short-term electric power and energy on behalf of DEMEC upon DEMEC's request. DEMEC shall specify its purchase and sale requirements of short-term electric power and energy in a Schedule which includes: (i) period(s); (ii) time; (iii) quantities; (iv) delivery point(s); and (v) minimum selling prices, as appropriate. DEMEC and VENDOR shall mutually agree, in writing, on the means of altering or changing the Schedule.
3. VENDOR will provide Origination services that negotiate, price, structure and/or execute transactions with counterparties for seasonal to long-term (4 months to 5 years) over-the-counter products intended to enhance the DEMEC power supply portfolio position. These services are expected to:
 - Deliver structured or longer-term energy products and hedges

- Use VENDOR's Portfolio Modeling service to identify and target a range of DEMEC's potential originated product needs
 - Provide market counterparty contact and deal negotiation support
 - Make pricing evaluations of potential product opportunities from a market perspective
 - Coordinate application of originated products offerings in context of the overall DEMEC power supply portfolio and hedging strategy or policy
 - Employ both financially-settled commodity products and physical deliver products for power and fuels
 - Provide collaborative strategy setting with DEMEC for counterparty and product choices
4. VENDOR will trade and schedule physical gas supply and manage supply imbalances according to the Risk Controls established between VENDOR and DEMEC. Further, VENDOR will be responsible for implementing strategies to minimize gas pipeline imbalance costs. VENDOR will assist DEMEC in creating a Schedule for the purchase or sale requirements of natural gas, which include the (i) period(s); (ii) time; (iii) quantity(ies); and (iv) delivery and/or receipt points. Such Schedule shall be delivered in advance to DEMEC, on a time frame to be agreed to by VENDOR and DEMEC. DEMEC and VENDOR shall mutually agree, in writing, on the means of altering or changing the Schedule.
 5. VENDOR will manage daily gas dispatch and daily generation strategy calls. VENDOR will provide day ahead gas offers and real time dispatch for DEMEC's PJM capacity resources.
 6. Demand Response or Load Management Operations: VENDOR will monitor, forecast, track curtailable events, and provide DEMEC with notification of potential hours when PJM may set its five Coincident Peaks, as well as the PJM annual transmission peak, so DEMEC may provide its customers with load management notification.
 7. VENDOR will perform and provide load forecasting for next hour, day, and week to support short-term portfolio optimization and dispatch model input.
 8. If VENDOR fulfills functions that directly satisfy DEMEC's requirement to comply with a reliability standard promulgated by either the North American Electric Reliability Corporation or one of the regional reliability organizations, VENDOR will ensure that VENDOR's activities on behalf of DEMEC are in compliance with such electric reliability standards.
 9. VENDOR will assist DEMEC in developing emission management strategies and creating action plans for the implementation of the strategies. VENDOR will also assist in the implementation of risk management strategies for emission management. DEMEC is currently required to participate in RGGI.
 10. VENDOR will provide NERC Compliance Services to assist DEMEC with annual reviews of its policies, procedures, and methodologies for the appropriate NERC Electric Reliability Standards. In addition, VENDOR will disseminate relevant NERC reports and information to DEMEC, as well as serve as a conduit for DEMEC's inquiries to NERC regarding interpretations of compliance approaches for reliability standards.
 11. VENDOR will provide DEMEC with PJM Capacity Market support, including, but not limited to the following:
 - a. Create and assess capacity performance offers for DEMEC's generation
 - b. Assess DEMEC's capacity performance insurance needs
 - c. Review resource aggregation opportunities
 - d. Provide quarterly updates to the Vendor's forecast for Long-Term Capacity Prices in PJM
 - e. Confirm resource quantities
 - f. Enter or confirm bilateral transactions
 - g. Update Equivalent Forced Outage Rate values
 - h. Enter capacity modifications in PJM's CAPMODs system
 - i. Enter, review and validate capacity offers
 - j. Review and confirm offer caps
 - k. Coordinate with PJM's Independent Market Monitor requests on behalf of DEMEC
 - l. Capture capacity awards in VENDOR's risk system
 - m. Report Capacity Market Auction Results to DEMEC
 - n. Assist DEMEC as required with the review of PJM Fuel Cost Policy methodology, calculations, and submittals to PJM

Financial Trading Services including:

1. VENDOR will provide execution services for financial natural gas trading and other exchange traded commodities such as fuel oil consistent with the overall portfolio execution strategies developed jointly by VENDOR and DEMEC.
2. VENDOR will provide consulting services, to include a variety of general services including gas transportation decision making, issues around new plants, transportation contract negotiations, pipeline offers, supply RFP services, etc.
3. VENDOR will provide fuel and emission risk management including strategy and transaction execution services. VENDOR will provide execution services for exchange traded financial fuel transactions and over the counter fuel and emission financial transactions.
4. VENDOR will provide renewable/alternative energy risk management including strategy and transaction services. VENDOR will provide execution services for renewable/alternative energy transactions. VENDOR will assist DEMEC in meeting requirements for Federal and/or State mandatory Renewable Portfolio Standards (RPS). VENDOR will also provide similar services for voluntary renewable strategies or transactions.
5. VENDOR will provide analysis and support for financially settled energy and/or capacity transactions.

Portfolio Modeling and Transaction Analysis Services including:

1. VENDOR will provide on a quarterly basis a model designed to provide DEMEC with a comprehensive analysis of key power supply risk drivers. The model will provide risk analytics and quantification in order to:
 - i) Demonstrate cost and risk tradeoffs associated with hedging strategies;
 - ii) Assist in determining the best fit for various portfolio products (base, intermediate, or peaking);
 - iii) Identify risk exposure to normal and stress events;
 - iv) Support senior management and board of director risk reporting responsibilities;
 - v) Support budgeting and communicating uncertainties around the budget; and
 - vi) Assist in establishing the risk tolerance of the organization.
 - vii) Risks incorporated into the portfolio model tool will include: unit outages, power price volatility, natural gas price volatility, native load variability, and sales obligations. Risks reflected in the model will include fuel price volatility, emission allowance price volatility, solar, and wind generation characteristics, and congestion price risk. The model will cover periods of 1 to 10 years, depending on the DEMEC's requirements and VENDOR's integration with DEMEC's power supply planning process.
2. DEMEC participates in PJM's ARR and FTR market construct. VENDOR will evaluate financial transmission rights for DEMEC utilizing a fundamental supply and demand model linked to a transmission simulation model to develop ARR/FTR evaluations and hedging strategies for DEMEC. VENDOR will recommend ARR/FTR hedging strategy and execute FTR bidding as DEMEC's agent.
3. VENDOR will provide analysis from its proprietary models to value standard and structured products. These evaluations will be for terms of 1 to 10 years. Lack of market liquidity and the extensive use of complex structured products may create the need for VENDOR to evaluate the pricing terms of transactions DEMEC is considering.
4. VENDOR will provide evaluations and risk analytics for long-term generation and transmission projects as requested by DEMEC.

Portfolio Performance Reporting (PPR) Service including:

1. VENDOR will perform routine analysis of DEMEC's portfolio revenue and cost performance based on preliminary settlement and operational data, using VENDOR developed software and data management processes. VENDOR will use the PPR internally to identify short-term (weekly) trends and improve DEMEC's portfolio performance and reporting of such information to DEMEC.

REQUIRED SERVICES: MIDDLE OFFICE

Additional Information for VENDOR:

- DEMEC has approximately 20 existing ISDA or EEI contracts and does not anticipate adding more counterparties during the term with Vendor.
- DEMEC owns no gas transportation.
- DEMEC has one interruptible contract for gas transportation.
- DEMEC has one provider gas supply contract.

Contract Management Services including:

1. VENDOR, as DEMEC's agent, will negotiate or assist in the negotiation of provisions between DEMEC and counterparties for standardized energy contracts. VENDOR will administer the process from initiation to contract execution on a timely basis and provide periodic status reports as requested by DEMEC. Within this service, VENDOR facilitates the establishment of DEMEC brokerage and NYMEX accounts.
2. VENDOR will administer the terms of power, natural gas, and ISDA, EEI and NAESB contracts. Such administration includes developing procedures to ensure appropriate oversight and administration of the following provisions: contract execution, modification and termination, authorized signatories, default, assignments, guarantees and notices.
3. VENDOR will monitor master agreements for compliance with VENDOR delegated trading activities. This includes oversight and procedures for entering commercial provisions into VENDOR's risk system, confirmation processes, notifying traders of contractual relationships, and monitoring/mitigating and reporting trading violations of commercial contract terms.
4. VENDOR, at the request of DEMEC, will evaluate structured/customized contracts in their entirety including: pricing, delivery terms, contract flexibility, missing provisions, legal provisions, etc. (ad hoc)
5. VENDOR, as DEMEC's agent, will assist in negotiation of provisions between DEMEC and counterparties for contracts involving natural gas commodity, natural gas transportation.

Trading Control Management Services including:

1. VENDOR will capture all transactions, executed by VENDOR or those that DEMEC requests VENDOR to administer, and ensure that these transactions are captured in the VENDOR's risk management systems completely, accurately, and timely. For transactions executed by VENDOR, transaction records and transaction confirmations generated and received will be maintained as required by FERC. Trading control violations will be reported and addressed on a timely basis.
2. VENDOR will monitor all trading activity for compliance with both DEMEC's Risk Management Policy and the VENDOR's internal trading authority policy. Exceptions to the trading authority policies will be reported to VENDOR's Risk Management Committee and DEMEC.
3. VENDOR will perform mark-to-market calculations for designated forward transactions on a daily basis. The mark-to-market gain/loss of forward positions will be used as a component of the calculation of total credit exposure DEMEC has with each of its counterparties.
4. VENDOR will prepare various reports regularly and post such to a secure website available to DEMEC or provide them directly to the DEMEC. These reports will, at a minimum, consist of transaction activity, mark-to-market data, forward pricing, historical pricing, and portfolio cost tracking. Other customized reports will be prepared by VENDOR at DEMEC's request.
5. VENDOR will disclose information required for VENDOR to comply with the Federal Energy Regulatory Commission ("FERC") Policy Statement in Docket No. PL03-3-000, Price Discovery in Natural Gas and Electric Markets, 104 FERC ¶ 61, 121, ("Safe Harbor Policy") FERC Safe Harbor Policy.

Credit Monitoring Services including:

1. VENDOR will analyze and monitor the on-going financial viability of DEMEC's power, natural gas, and financial counterparties upon request. Periodic reports will be provided and credit watch information will be sent to selected DEMEC staff via email and posted to the Vendor Website. Fuels and emission allowance trading counterparties can be added at DEMEC's request.

2. VENDOR will provide counterparty exposure monitoring; credit risk reporting; margining; and collateral management services consistent with approved credit limits and a credit policy mutually agreed to by the parties.
3. VENDOR, as DEMEC's agent, shall negotiate or assist in the negotiation of credit terms included in standardized or structured contracts. VENDOR will serve as an active advocate of DEMEC in the credit community, including contact coordinated with DEMEC with counterparties, PJM, credit rating agencies, the Committee of Chief Risk Officers, lenders and regulatory bodies, etc.

Risk Management Services including:

1. VENDOR and DEMEC shall develop and agree upon trading controls, limits, and policies, and an authority matrix to which VENDOR and DEMEC shall adhere at all times during the performance of the Required Services.
2. VENDOR will advise DEMEC on an annual basis regarding revisions to DEMEC's Risk Management Policy as the industry environment changes. Policy issues will include energy risk management, credit, trading authority, trading sanction, and hedging.

REQUIRED SERVICES: BACK OFFICE and OTHER

Additional information for VENDOR:

- DEMEC staff manage Accounts Receivable and Accounts Payable

Settlement Services including:

1. VENDOR will verify/confirm invoicing with each external counterparty the total units and dollar value of transactions on all purchases and sales that are to be billed during the month for natural gas, gas transportation service, power or transmission service. This process will be performed for physical gas, gas transportation transactions, physical energy, transmission transactions, broker fees, capacity, and financial transactions.
2. VENDOR will provide PJM settlement services, based upon DEMEC's specific participation in the day-ahead energy, real time energy, capacity market, and financial transmission rights (FTR) markets. VENDOR's process will enable DEMEC to review and validate the charges and credits DEMEC will be billed on future PJM invoice statements. VENDOR will provide a shadow settlement system mechanism for DEMEC to compare PJM charges and credits to its own. VENDOR will file disputes on potential disputed amounts on behalf of DEMEC and assist in resolving PJM disputes.
3. VENDOR shall develop a standard monthly report for P&L by asset as specified by DEMEC.

Other Services including:

1. For all Required Services in Attachment 1, VENDOR will be responsible for reporting trading and operational activities, market trends, PJM developments, settlements and other DEMEC-specific information to meet DEMEC's needs in standardized reports. Other customized reports will be prepared at DEMEC's request.
2. Upon request, and subject to its expertise, VENDOR can perform Ad Hoc Consulting services for DEMEC. All consulting services provided by VENDOR, that are not specifically outlined in this Attachment 1 shall nevertheless be performed under the terms and conditions of VENDOR/DEMEC Master Agreement. All consulting services will be charged at VENDOR's current consulting rates or as otherwise agreed upon between VENDOR and DEMEC.