

Mark-to-Market for BGS-RSCP Contracts

MtM Exposure Amount Calculation Information Update:

Table 1 contains the illustrative marks¹ for each month of the BGS-RSCP auction period. Monthly marks are provided for June 2018 through May 2021. For the months, two-month blocks², or quarterly blocks² where broker³ quotes are available, broker quotes will be used for those months. For all the remaining months the EDCs will use a proprietary method that reflects forward market conditions.

The method described above will be employed from January 22, 2018 through January 31, 2018. From February 1, 2018 through the day of the close of the BGS-RSCP Auction, only the months for which a monthly, a two-month block or a quarterly block quote is available will be updated. The mark for each Billing Month is the mark that was calculated on the date that the BGS-RSCP Auction closes and will not change over the life of the contract. After the close of the BGS-RSCP Auction, Forward Market Prices will change. In addition, the on-peak and off-peak loads used to calculate the MtM Exposure Amount will be adjusted monthly to reflect the most current information.

Forward Market Prices for the months, two-month blocks or quarterly blocks where at least two broker quotes are available will be equal to the broker quotes. In case quotes for a component of a block and for the block are both available, the EDCs reserve the right not to use both the component of a block and the block if they are inconsistent with each other. However, when this inconsistency occurs the EDC must use either the component or the block. Forward Market Prices for the months, two-month blocks or quarterly blocks where broker quotes are unavailable will be equal to the last available broker quotes or in case they have not been quoted on the broker sheets since the BGS-RSCP Auction closed, they will be equal to the marks set at the close of the BGS-RSCP Auction.

¹ Illustrative marks represent PJM Western Hub on-peak prices.

² For two-month and quarterly blocks for which the average for the block and a component of the block are both quoted, the component will be equal to its quoted price and the other months in the block will be constructed so that the weighted average (weighted by on-peak hours in each month) of the block equals the quote for the block; e.g., Q4 2018 = \$50 and Oct 2018 = \$40; therefore, Oct 2018 = \$40 and Nov-Dec 2018 = \$55 $(\$50 \times (336 + 336 + 368) - \$40 \times 336) / (336 + 368) = \54.77 . If only the block is quoted, that price will be used for all relevant months; e.g., Jan/Feb 2019 = \$35, then Jan 2019 = \$35 and Feb 2019 = \$35.

³ The term broker as used in this Agreement encompasses both independent brokers or exchanges active in the energy market.

As indicated in Appendix B, on the day the auction closes parameters will also be set for:

- The monthly on-peak load per tranche for each EDC (see Table 2)
- The monthly off-peak load per tranche for each EDC (see Table 2)
- The ratio between historical off-peak and on-peak energy prices (see Table 3)

The values posted in Table 2 and Table 3 are those that the EDCs intend to use for Appendix B when signing the contract. The EDCs do not anticipate any changes to Table 2 or Table 3 between now and the day of the Auction close.

Illustrative Marks for January 10, 2018

TABLE 1	
Illustrative Initial Marks (\$/MWh)	
Jun 2018	33.45
Jul 2018	38.21
Aug 2018	35.27
Sep 2018	33.44
Oct 2018	31.77
Nov 2018	32.00
Dec 2018	35.56
Jan 2019	48.23
Feb 2019	45.98
Mar 2019	35.74
Apr 2019	31.32
May 2019	31.86
Jun 2019	31.88
Jul 2019	37.27
Aug 2019	34.80
Sep 2019	31.78
Oct 2019	30.11
Nov 2019	30.11
Dec 2019	33.38
Jan 2020	47.22
Feb 2020	44.52
Mar 2020	36.55
Apr 2020	31.20
May 2020	30.80
Jun 2020	31.60
Jul 2020	36.95
Aug 2020	34.57
Sep 2020	31.15
Oct 2020	29.75
Nov 2020	29.75
Dec 2020	32.30
Jan 2021	48.17
Feb 2021	45.60
Mar 2021	35.84
Apr 2021	31.00
May 2021	30.63

Monthly Loads per Tranche

The monthly on-peak and off-peak loads per tranche are used when calculating the MtM. These loads are based on historical numbers and are subject to change by the EDCs.

TABLE 2								
Monthly Volumes (MWh)								
	PSE&G		JCP&L		ACE		RECO	
	On-peak	Off-peak	On-peak	Off-peak	On-peak	Off-peak	On-peak	Off-peak
Jun 2018	11,406	9,838	8,869	8,159	10,044	9,671	10,685	8,755
Jul 2018	13,262	12,233	10,618	10,387	14,010	13,732	15,563	11,146
Aug 2018	12,910	9,830	11,537	8,330	13,224	10,765	14,886	11,303
Sep 2018	9,561	9,707	7,244	7,620	8,008	9,091	9,818	8,901
Oct 2018	9,244	7,316	6,971	5,563	6,799	6,160	8,004	6,265
Nov 2018	8,097	8,272	6,658	6,434	6,525	6,984	7,931	6,381
Dec 2018	9,245	10,176	7,551	8,383	7,761	9,629	8,266	7,534
Jan 2019	9,619	9,812	8,393	7,834	8,381	8,809	9,413	7,477
Feb 2019	8,230	8,248	7,308	6,802	6,816	6,929	7,538	6,444
Mar 2019	8,837	9,298	7,123	6,827	6,830	8,153	6,962	6,571
Apr 2019	8,358	7,156	6,499	5,418	6,022	6,043	7,127	5,780
May 2019	9,064	7,518	7,062	5,860	6,774	6,584	8,946	7,332
Jun 2019	10,863	10,248	8,273	8,611	9,566	10,074	10,176	9,120
Jul 2019	13,893	11,753	11,068	9,795	14,677	13,194	16,270	10,691
Aug 2019	12,348	10,248	11,007	8,707	12,649	11,223	14,239	11,784
Sep 2019	10,065	9,334	7,570	7,140	8,430	8,741	10,309	8,545
Oct 2019	9,646	7,472	6,871	5,486	6,799	6,160	8,004	6,265
Nov 2019	7,692	8,603	6,270	6,650	6,215	7,275	7,571	6,658
Dec 2019	9,707	9,792	7,820	7,942	8,149	9,266	8,660	7,239
Jan 2020	9,619	9,812	8,315	7,741	8,381	8,809	9,413	7,477
Feb 2020	8,230	8,786	7,040	6,967	6,816	7,402	7,538	6,884
Mar 2020	9,258	8,932	7,311	6,485	7,155	7,834	7,293	6,313
Apr 2020	8,358	7,156	6,460	5,271	6,022	6,043	7,127	5,780
May 2020	8,240	8,132	6,074	6,668	6,158	7,122	8,169	7,956
Jun 2020	11,950	9,428	9,144	7,569	10,522	9,268	11,194	8,390
Jul 2020	13,893	11,753	11,188	9,494	15,344	12,655	16,270	10,691
Aug 2020	11,787	10,666	9,945	9,584	12,074	11,681	13,592	12,265
Sep 2020	10,568	8,960	8,259	6,269	8,851	8,391	10,800	8,189
Oct 2020	9,646	7,472	6,482	5,694	6,504	6,422	7,656	6,532
Nov 2020	7,692	8,603	6,184	6,559	6,215	7,275	7,571	6,658
Dec 2020	9,707	9,792	8,104	7,492	8,537	8,902	9,053	6,943
Jan 2021	9,619	9,812	7,499	8,398	7,619	9,528	8,594	8,114
Feb 2021	8,230	8,786	7,212	6,632	6,816	6,929	7,538	6,444
Mar 2021	9,258	8,932	7,410	6,187	7,480	7,514	7,625	6,056
Apr 2021	8,358	7,156	6,284	5,259	6,022	6,043	7,127	5,780
May 2021	8,240	8,132	6,019	6,545	6,158	7,122	8,169	7,956

Ratio of Off-Peak to On-Peak Prices

The monthly ratios of off-peak to on-peak prices in the PJM Western Hub are used in calculating the MtM.

TABLE 3	
PJM Western Hub Ratio of Off-Peak to On-Peak Prices	
January	0.7855
February	0.8952
March	0.8506
April	0.7600
May	0.6337
June	0.6665
July	0.6234
August	0.6520
September	0.6387
October	0.7334
November	0.7428
December	0.7636