

**APPENDIX 5 TO PENNSYLVANIA POWER COMPANY  
REQUEST FOR PROPOSAL (RFP) PROCESS AND RULES  
FOR FIXED BLOCK ENERGY**

**Sample Pre-Bid Letter of Credit**

\_\_\_\_\_ (Date)

Letter of Credit No. \_\_\_\_\_

**To: PENNSYLVANIA POWER COMPANY ("Penn Power") C/ O INDEPENDENT  
EVALUATOR**

1. We hereby establish in your favor this irrevocable Letter of Credit (this "Letter of Credit") for the account of \_\_\_\_\_ (the "Bidder"), in the amount of \$\_\_\_\_\_, effective immediately and available to you at sight upon demand by all of you at our counters at \_\_\_\_\_ (Location). This Letter of Credit, unless terminated earlier in accordance with the provisions hereof or otherwise extended, shall remain in full force and effect at least until (i) the PaPUC has accepted the results of this RFP for the \_\_\_\_\_ (Insert Date) Bid Date, and the RFP Bidder does not hold a winning Bid for this Bid Date; or (ii) the PaPUC has accepted the results of this RFP for the \_\_\_\_\_ (Insert Date) Bid Date, the RFP Bidder holds a winning Bid, the RFP Bidder has executed the Supplier Master Agreement, and the RFP Bidder has satisfied the creditworthiness standards of the Supplier Master Agreement; or (iii) the PaPUC has rejected the results of this RFP for the \_\_\_\_\_ (Insert Date) Bid Date.
2. This Letter of Credit is issued at the request of the Bidder, and we hereby irrevocably authorize you to draw on us, in accordance with the terms and conditions hereof, up to the maximum amount of this Letter of Credit, subject to reduction as

provided in Paragraph 11 hereof. This Letter of Credit may be drawn by presenting your certificate, in the form of Annex 1, stating that the Bidder for the [Insert Date] RFP

- a) "has made a material omission or misrepresentation in its Proposal";
  - b) "discloses information relating to its Proposal publicly or to any other party before the PaPUC renders decision on the results for the RFP";
  - c) "wins a bid and fails to execute the Supplier Master Agreement within three business days of the PaPUC's approval of the results for the RFP";
  - d) "wins a bid and fails to meet the creditworthiness requirements of the Supplier Master Agreement at the time of signing".
3. A partial or full drawing hereunder may be made by you on any Business Day on or prior to the expiration of this Letter of Credit by delivering, by no later than 11:00 A.M. (Eastern Prevailing Time<sup>1</sup>) on such Business Day to \_\_\_\_\_ (Bank), \_\_\_\_\_ (address), (i) a notice in the form of Annex 1 hereto executed by an Authorized Officer of Penn Power and (ii) your draft in the form of Annex 2 hereto, appropriately completed and duly signed by Authorized Officers of Penn Power. Authorized Officer shall mean President, Treasurer, any Vice President or any Assistant Treasurer.
4. We hereby agree to honor a drawing hereunder made in compliance with the terms and conditions of this Letter of Credit by transferring in immediately available funds the amount specified in the draft delivered to us in connection with such drawing to your account at such bank in the United States as you may specify in your draft delivered to us pursuant to Paragraph 3 hereof, by 3:00 PM (Eastern Prevailing Time) on the date of such drawing if delivery of this requisite document is made prior to 11:00 AM (Eastern Prevailing Time) on a Business Day pursuant to Paragraph 3 hereinabove, but at the opening of business on the first Business Day next succeeding the date of such drawing if delivery of the requisite document is

---

<sup>1</sup> If the issuer of the Letter of Credit is located in an area that is not in the eastern time zone, this time, all other times in this Letter of Credit, and the definition of a business day should be adjusted accordingly.

made on or after 11:00 AM (Eastern Prevailing Time) on any Business Day pursuant to Paragraph 3 hereinabove.

5. If a demand for payment made by you hereunder does not, in any instance, conform to the terms and conditions of this Letter of Credit, we shall give you prompt notice (not exceeding three (3) Business Days following the date of receipt of the documents) that the demand for payment was not effected in accordance with the terms and conditions of this Letter of Credit, stating the reasons why the demand for payment was not so effected, and that we will upon your instructions hold any documents at your disposal or return the same to you. Upon being notified that the demand for payment was not effected in conformity with this Letter of Credit, you may attempt to correct any such non-conforming demand for payment to the extent that you are entitled to do so, provided, however, in such event a conforming demand for payment must be made prior to expiry in accordance with the terms of this Letter of Credit.
6. This Letter of Credit shall automatically terminate and be cancelled on the earliest of (i) the making by you and payment by us of the drawings in an amount equal to the maximum amount available to be made hereunder, (ii) the date we receive from you a Certificate of Expiration in the form of Annex 3 hereto, (iii) the above-stated expiration date hereof.
7. As used herein:

“Bidder” shall mean a party that submits a Proposal to Penn Power through its Independent Evaluator in response to the Penn Power RFP for Fixed Block Energy.

“Rules” shall mean the rules that govern the conduct of the Penn Power RFP for Fixed Block Energy as filed by Penn Power and approved by the PaPUC.

“Supplier Master Agreement (SMA)” shall mean the agreement by which Penn Power will be contracting with a supplier pursuant to the authorization provided to the Company.

"Business Day" shall mean any day on which commercial banks are not authorized or required to close in New York, New York and any day on which payments can be effected on the Fedwire system.

8. This Letter of Credit is not transferable, and except as otherwise expressly stated herein, is subject to the Uniform Customs and Practices for Documentary Credits – 1993 revision, ICC Publication No. 600, or any successor publication thereto (the "UCP"). All banking charges are for the account of the Bidder. This Letter of Credit shall, as to matters not governed by the UCP, be governed and construed in accordance with New York law, without regard to principles of conflicts of law.
9. This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, changed, amplified or limited by reference to any document, instrument or agreement referred to herein, except for Annexes 1 through 3 hereto and the notices referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except as set forth above.
10. We certify that as of \_\_\_\_\_(date) we \_\_\_\_\_  
("Bank") satisfy the senior unsecured debt rating of "A" from Standard & Poor's or Fitch, or "A2" from Moody's.
11. The amount which may be drawn by you under this Letter of Credit shall be automatically reduced by the amount of any drawings paid through us referencing this Letter of Credit No. \_\_\_\_\_. Partial drawings are permitted hereunder.
12. Faxed document(s) are acceptable. Presentation by fax must be made to fax number \_\_\_\_\_ confirmed by telephone to \_\_\_\_\_.
13. In the event of act of God, riot, civil commotion, insurrection, war, terrorism or by any strikes or lock outs, or any cause beyond our control, that interrupts our business, and causes the place for presentation of this Letter of Credit to be closed for business on the last day of presentation, the expiration date of this Letter of Credit shall be automatically extended without amendment to a date 30 (thirty) calendar days after the place for presentation reopens for business.

14. This original Letter of Credit has been sent to the Independent Evaluator at [Insert Address] (as per Bidder's instructions, the Independent Evaluator holds the Letter of Credit for the benefit Penn Power). The aggregate amount paid to Penn Power during the validity of this Letter of Credit will not exceed the amount of this Letter of Credit. Any demands or communications in the form of the attached Annexes or other communications directed to us under this Letter of Credit must be signed by an Authorized Officer of Penn Power. Acceptance or rejection of any amendments to this Letter of Credit must be signed by an Authorized Officer of Penn Power.

Very truly yours,

(Bank)

\_\_\_\_\_

By: \_\_\_\_\_

Name:

Title:

By: \_\_\_\_\_

Name:

Title:

DRAWING UNDER LETTER OF CREDIT NO. \_\_\_\_\_

\_\_\_\_\_, 20\_\_

To: (Bank)  
(Address)

Attention: Standby Letter of Credit Unit

Ladies and Gentlemen:

The undersigned is making a drawing under the above-referenced Letter of Credit in the amount specified below and hereby certifies to you as follows:

1. Capitalized terms used herein that are defined herein shall have the meanings ascribed thereto in the Letter of Credit;
2. Pursuant to Paragraph 2 of the Letter of Credit No. \_\_\_\_\_, dated \_\_\_\_\_, 20\_\_, the undersigned are entitled to make a drawing under the Letter of Credit in the amount of \$ \_\_\_\_\_, inasmuch as the RFP Bidder has \_\_\_\_\_ (state reason from conditions (a) – (d) of Paragraph 2).
3. The amounts to be received by Pennsylvania Power Company are \$ \_\_\_\_\_.

4. We acknowledge that, upon your honoring the drawing herein requested, the amount of the Letter of Credit available for drawing shall be automatically decreased by an amount equal to this drawing.

Very truly yours,

Pennsylvania Power Company

By \_\_\_\_\_

Name:

Title:

Date:

cc: \_\_\_\_\_(Bidder)

DRAWING UNDER LETTER OF CREDIT NO. \_\_\_\_\_

\_\_\_\_\_, 20\_\_

ON [Business Day immediately succeeding  
date of presentation]

PAY TO: Pennsylvania Power Company

Attn:

\$ \_\_\_\_\_

For credit to the account of \_\_\_\_\_.

FOR VALUE RECEIVED AND CHARGE TO ACCOUNT OF LETTER OF CREDIT NO.  
\_\_\_\_\_ OF

(Bank)

(Address)

Pennsylvania Power Company

By \_\_\_\_\_

Name:

Title:



CERTIFICATE OF EXPIRATION  
OF LETTER OF CREDIT NO. \_\_\_\_\_

\_\_\_\_\_, 20\_\_

To: (Bank)  
(Address)

Attention: Standby Letter of Credit Unit

Ladies and Gentlemen:

The undersigned hereby certifies to you that the above referenced Letter of Credit may be cancelled without payment. Attached hereto is said Letter of Credit, marked cancelled.

Pennsylvania Power Company

By \_\_\_\_\_

Name:

Title:

Date:

cc: \_\_\_\_\_ (RFP Bidder)