January 14, 2011

Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First St., N.E.
Washington, D.C. 20426

RE: Delmarva Power & Light Company, Docket No. ER11-____-000
Filing of an Interconnection and Mutual Operating Agreement
VIA eTARIFF

Dear Ms. Bose:

Pursuant to Section 205 of the Federal Power Act, 16 U.S.C. § 824d (2006) and Part 35 of the Federal Energy Regulatory Commission's ("Commission") regulations, 18 C.F.R. Pt. 35 (2010), Delmarva Power & Light Company ("Delmarva") hereby submits for filing through the Commission's eTariff system an executed Interconnection and Mutual Operating Agreement ("IMOA") between itself and Town of Middletown, Delaware ("Middletown," collectively, the "Parties"), designated as Service Agreement No. 2718 under the currently effective FERC Electric Tariff of PJM Interconnection, L.L.C. ("PJM"). The IMOA is intended to supersede and replace a Mutual Operating Agreement ("MOA") between the Parties, designated as Original Service Agreement No. 1259. Delmarva respectfully requests an effective date of March 15, 2011 for the IMOA. Concurrent with this filing, Delmarva is submitting through the Commission’s eFiling system a Notice of Cancellation for the MOA. Delmarva is requesting cancellation of the MOA effective March 15, 2011, commensurate the requested effective date for the IMOA.

The IMOA provides for the continued mutual coordinated operation of the interconnected electric systems of Delmarva and Middletown, and is meant to ensure that Delmarva and Middletown provide service reliably, in a manner that is consistent with Good Utility Practice and with various PJM agreements. This IMOA is nearly identical to the
IMOAs accepted by the Commission in Docket No. ER10-1404-000 (by letter order dated July 7, 2010), Docket No. ER09-546-000 (by letter order dated March 5, 2009) and Docket No. ER09-227-000 (by letter order dated December 19, 2008). In all cases, the same form IMOA was utilized, and the IMOA is then tailored to reflect the individual characteristics of the particular customer - in this case, Middletown.

Delmarva requests that the Commission review and accept for filing the IMOA with an effective date of March 15, 2011.

I. Background

Delmarva, an indirect wholly-owned subsidiary of Pepco Holdings, Inc., is a state regulated transmission and distribution utility that provides retail power and distribution services to retail customers in Delaware and the eastern shore of Maryland. Delmarva also provides natural gas distribution service in the same geographic area. Middletown owns and operates a municipal utility that controls a distribution system within PJM's transmission system. As stated above, the Parties to the IMOA are also parties to the MOA, pursuant to which the Parties agreed to remain electrically interconnected at their respective points of interconnection, coordinate planning and operation over their interconnection facilities, and act in accordance with and coordinate various obligations consistent with the PJM Operating Agreement, PJM Tariff, and PJM Reliability Assurance Agreement.

The Parties have entered into the IMOA to provide an updated transmission system interconnection and operation agreement. The IMOA reflects more current legal/regulatory requirements and conditions and will supersede the MOA between the Parties.

II. Description of the IMOA

The IMOA provides the terms and conditions that will govern the operation and maintenance of the respective interconnection points between the Delmarva and Middletown systems. The IMOA has been designated as Service Agreement No. 2718 under PJM's FERC Electric Tariff. There have been significant changes in Commission policy and other legal and regulatory requirements applicable to operation and maintenance requirements for interconnected transmission systems since the MOA was signed, including but not limited to the reliability and interconnection areas. The IMOA is an agreement that reflects this changed legal and regulatory environment, and is consistent with other agreements that have been accepted by the Commission.

III. Requested Effective Date

Consistent with the Commission's prior notice requirements, Delmarva respectfully requests an effective date of March 15, 2011 for the IMOA.
IV. Documents Enclosed

This filing includes:

1. This transmittal letter;
2. Attachment A, the executed IMOA between Delmarva and Middletown designated as Service Agreement No. 2718; and
3. Attachment B, a list of the recipients to whom this filing (inclusive of the attached rate schedules) has been mailed.

V. Correspondence and Communication

All correspondence, communications, pleadings and other documents related to this proceeding should be addressed to the following persons:

<table>
<thead>
<tr>
<th>Amy L. Blauman</th>
<th>William E. Wolf</th>
</tr>
</thead>
<tbody>
<tr>
<td>Associate General Counsel</td>
<td>Bracewell &amp; Giuliani LLP</td>
</tr>
<tr>
<td>Pepco Holdings, Inc.</td>
<td>2000 K Street, N.W., Suite 500</td>
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<td>701 Ninth Street, N.W., suite 1100</td>
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<td>202.828.5803</td>
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<td>202.872.2122</td>
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<td><a href="mailto:alblauman@pepcoholdings.com">alblauman@pepcoholdings.com</a></td>
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VII. Conclusion

Wherefore, for the reasons set forth herein, Delmarva respectfully requests that the Commission accept for filing the attached IMOA with an effective date of March 15, 2011. In the event that any additional information is needed of Delmarva, please contact the undersigned at 202.828.5803.

Respectfully submitted,

/s/ William E. Wolf
William E. Wolf
Bracewell & Giuliani LLP

Attorney for Delmarva Power & Light Company
ATTACHMENT A

INTERCONNECTION AND MUTUAL OPERATING AGREEMENT
INTERCONNECTION AND MUTUAL OPERATING AGREEMENT

Between

DELMARVA POWER & LIGHT COMPANY

And

TOWN OF MIDDLETOWN

Date: January 6, 2011
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Schedule 5.7  Cost Allocation

Schedule 5.10 Power Factor Compliance

Schedule 12.4 Remedies
INTERCONNECTION AND MUTUAL OPERATING AGREEMENT

This Interconnection and Mutual Operating Agreement and Schedules ("Agreement") is entered into as of the sixth day of January, 2011, by and between Delmarva Power & Light Company ("Delmarva"), a Delaware and Virginia Corporation and the Town of Middletown ("Middletown"), an incorporated municipality located in the State of Delaware. Delmarva and Middletown are individually referred to herein as a “Party” and collectively as the “Parties.”

WHEREAS, Delmarva is a public utility corporation that owns and operates transmission facilities (referred to as the “Transmission System”) within the PJM System; and

WHEREAS, Middletown is a municipally-owned utility that owns and operates a distribution system within the PJM System (the “Interconnecting System”); and

WHEREAS, the Parties wish to enter into this Interconnection and Mutual Operating Agreement for the purpose of continuing to provide for the benefits of mutually coordinated operations of the Middletown System and Delmarva System and for the purpose of providing for service reliability in a manner that is consistent with Good Utility Practice and the PJM Agreements; and

WHEREAS, the Parties have previously entered into a Mutual Operating Agreement dated July 1, 2004 that provides the facilities necessary for Middletown to interconnect the Middletown System to the Delmarva Transmission System; and

WHEREAS, the Parties intend this Interconnection and Mutual Operating Agreement to supersede and replace the Mutual Operating Agreement between them.

NOW, THEREFORE, the signatories hereto, each in consideration of the agreements of the other herein set forth, hereby mutually agree as follows:

ARTICLE 1.
DEFINITIONS AND INTERPRETATION

1.1 Definitions. As used in this Agreement:

“AAA” shall have the meaning set forth in Section 11.2.

“Administrative Committee” shall mean that committee comprised of one representative and one alternate appointed by each of Delmarva and Middletown to act for each respective Party in all matters pertaining to or relating to this Agreement and shall have the duties and responsibilities as more fully described in Article 8.

“Agreement” shall have the meaning set forth in the preamble.

“Applicable Law” shall mean any statute, law, regulation, ordinance, rule, judgment, order, decree, legally binding directive or requirement, or any similar form of decision of or determination by, or any interpretation or administration of, any of the foregoing by any Governmental Authority which is applicable to and binding upon any Party or this Agreement.
“CIAC” shall mean a contribution in aid of construction, as that term is defined under section 118(b) of the Internal Revenue Code.

“Confidential Information” shall have the meaning set forth in Section 18.15.

“Delmarva” shall have the meaning set forth in the preamble.

“Delmarva System” shall mean the interconnected electric system of Delmarva.

“Delmarva Transmission Control Center” shall mean the location(s) of the system operators that monitor and control transmission facilities owned or controlled by Delmarva.

“Delmarva Zone” shall be the geographic area defined as the Delmarva Zone, as may be modified from time to time, as set forth in the PJM Tariff.

“DEMEC” shall mean the Delaware Municipal Electric Corporation, Inc, a joint action municipal utility.

“Disclosing Party” shall have the meaning set forth in Section 18.15.

“Dollars” shall mean the U.S. Dollar, the lawful currency of the United States of America.

“Effective Date” shall mean the date that this Agreement commences as set forth in Section 2.1.

“ERO” shall mean NERC, or any successor entity, which has been designated as the Electric Reliability Organization by FERC.

“FERC” shall mean the Federal Energy Regulatory Commission, or a successor agency.

“Generation Facility” shall mean any electric generation facility greater than 1 MW interconnected to the Middletown System.

“Generation Facility Output” shall mean the Generation Facility’s net capacity and/or energy production as measured at the point where the Generation Facility is connected to the Middletown System.

“Good Utility Practice” shall mean any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather to be acceptable practices, methods or acts generally accepted in the region. Good Utility Practice shall include, but is not limited to, compliance with all applicable Reliability Standards and PJM Agreements.
“Governmental Authority” shall mean FERC, ERO, a state utility commission or other local, state, regional, federal or national administrative, legal, judicial or executive agency, commission, department or other government entity with jurisdiction over the respective Party.

“Guidelines” shall mean the currently effective “Guidelines for Interconnections to the PEPCO, Delmarva Power & Light and Atlantic City Electric Systems” as such document may be amended or revised from time to time during the term of this Agreement by operation of the Administrative Committee, or, if applicable, any successor document which contains materially similar information.

“Interconnecting System” shall have the meaning set forth in the Recitals.

“Interconnection Equipment” shall mean any metering, relaying, communications or interruption equipment, including output information to the PJM System Operator and/or the Delmarva Transmission Control Center, and all protection relaying facilities to protect the Delmarva System, installed or to be installed hereunder for the purpose of operating a Generation Facility in parallel with the Delmarva System, and all facilities needed to interconnect the Generation Facility to the Middletown System which are located on the Middletown side of the Point(s) of Interconnection.

“LMP” shall mean the locational marginal pricing as defined by the PJM Operating Agreement.

“LSE” shall have the meaning set forth in the PJM Operating Agreement.

“Middletown” shall have the meaning set forth in the preamble.

“Middletown Interconnection Point” shall have the meaning set forth in Section 6.6.

“Middletown/Generation Owner IA” shall have the meaning set forth in Section 6.1.

“Middletown System” shall mean Middletown’s interconnected electric system.

“Modification(s)” shall mean any alteration, augmentation, removal, upgrade or replacement, including any changes in design, configuration or location.

“Network Integration Service Agreement” shall mean the Network Integration Transmission Service Agreement dated December 31, 2003, between DEMEC and PJM, as amended or superseded from time thereafter through FERC and PJM procedures.

“NERC” shall mean the North American Electric Reliability Corporation or any successor thereto designated by FERC as the ERO.

“Party” shall have the meaning set forth in the preamble.

“PJM” shall mean the PJM Interconnection, L.L.C., the Delaware limited liability company governed by a board of managers pursuant to the PJM Operating Agreement, or its successor organization.
“PJM Agreements” shall mean, collectively, the PJM Operating Agreement, the PJM Tariff, and the PJM Reliability Assurance Agreement.

“PJM Manuals” shall have the meaning set forth in the PJM Operating Agreement.

“PJM Operating Agreement” shall mean the Operating Agreement of PJM dated April 1, 1996, as amended and restated as of June 2, 1997 and as amended or superseded from time to time thereafter through FERC and PJM procedures.

“PJM Reliability Assurance Agreement” shall mean the Reliability Assurance Agreement Among Load Serving Entities in the PJM Control Area dated June 2, 1997, as amended or superseded from time to time thereafter through FERC and PJM procedures.

“PJM System” shall mean all of the transmission facilities and systems subject to the PJM Tariff.

“PJM System Operator” shall mean the independent operator of the PJM System under the PJM Operating Agreement and the PJM Tariff.

“PJM Tariff” shall mean the Open Access Transmission Tariff of PJM, effective as of April 1, 1997, as amended or superseded from time to time through FERC and PJM procedures.

“Point(s) of Interconnection” shall mean the point(s) of electrical connection between the Delmarva System and the Middletown System as set forth in a list to be maintained by the Administrative Committee as set forth in Section 4.1.

“Receiving Party” shall have the meaning set forth in Section 18.15.

“Reimbursable Costs” shall have the meaning set forth in Section 7.2.

“Reliability Standards” shall mean those standards promulgated by FERC, NERC, the RFC and other entity with delegated authority from the FERC or NERC for proposing and enforcing electric reliability standards.

“RFC” shall mean the Reliability First Corporation, or any successor entity, designated by NERC pursuant to Section 215 of the Federal Power Act as the regional reliability entity for the Delmarva Zone.

“RTEP” shall have the meaning set forth in Section 5.18.1.

“Section 13.1 Event” shall have the meaning set forth in Section 13.1.

“Systems” shall mean the respective Delmarva System and the Middletown System as more fully described in Section 5.8.

“System Emergency” shall mean an imminent or occurring condition on the Delmarva System, the PJM System, on the system of Middletown or in the Generation Facility that is likely
to impair system reliability or quality of service, or result in significant disruption of service or
damage to any of the foregoing, or is likely to endanger life, property or the environment.

“Technical Considerations” shall mean the “Technical Considerations Covering Parallel
Operations of Customer Owned Generation of One (1) Megawatt or Greater and Interconnected
with the Connectiv Power Delivery System” as such document may be modified hereafter by
postings on the PJM web site, or if not available on the PJM website, through delivery of such
modifications to Middletown through operation of the Administrative Committee.

“Terminating Party” shall have the meaning set forth in Section 13.2(iii).

ARTICLE 2.
TERM AND EFFECT OF TERMINATION

2.1 Effective Date. This Agreement shall become effective on the date that FERC accepts
the Agreement and permits it to take effect.

2.2 Term. This Agreement shall remain in full force and effect until the earlier of (a) the
disconnection of the Middletown System and the Delmarva System at all Points of
Interconnection; (b) the termination of this Agreement pursuant to the terms of Section 13.2; or
(c) two years after either Party shall have provided written notice that such Party intends to
terminate the Agreement. As used herein, a disconnection between the Middletown System and
the Delmarva System shall only occur if (i) Middletown determines that continued
interconnection is no longer required for the operation of the Middletown System or (ii) such
disconnection is required to comply with Applicable Law.

2.3 Temporary Disconnection. A temporary disconnection required for safe and reliable
operation, as permitted hereunder, shall not be deemed to be a disconnection that terminates this
Agreement.

2.4 Effect of Termination. The provisions of this Agreement relating to billing, payments
and liabilities in connection with the actions of the Parties during the term of this Agreement
shall survive termination of this Agreement until they are fully discharged.

ARTICLE 3.
REGULATORY APPROVAL

3.1 Filing of Agreement for Regulatory Approval. Upon execution of this Agreement by
the Parties, Delmarva shall file the Agreement with FERC under Section 205 of the Federal
Power Act and with any other appropriate regulatory agency and shall request a mutually
agreeable effective date, subject to waiver of any applicable notice and filing requirements.

3.1.1 Delmarva may, in its sole discretion, prior to such execution by Middletown, file
such Agreement unexecuted pursuant to Section 205 of the Federal Power Act. Any filing made
by Delmarva pursuant to this Section 3.1.1 shall in no way preclude Middletown from exercising
any rights available to it under the Federal Power Act, including Section 206.
3.2 **Agreed to Amendments.** In the event that the Parties agree to amend this Agreement, pursuant to a Section 13.1 Event or otherwise, Delmarva shall, if required, file any such amendment or modification with FERC and any other appropriate regulatory or other appropriate Governmental Authority. Middletown agrees that it will not oppose the specific terms of any such amendment or modification in any filing it makes with the FERC in response to Delmarva’s filing of such amendment or modification. Upon satisfaction of any and all applicable regulatory requirements, such amendment shall become effective and a part of this Agreement.

3.3 **Cooperation.** Middletown shall reasonably cooperate and provide information reasonably requested by Delmarva during Delmarva’s preparation and during the FERC review and approval process of any executed filings made by Delmarva pursuant to Section 3.1 and any filings made under Section 3.2 of this Agreement.

3.4 **Proposed Unilateral Amendments.** After FERC has issued a final, nonappealable order accepting this Agreement, both Parties shall have the right – at any time after providing 15-days’ prior written notification to the other party and prior presentation of the terms of such proposed amendment at a meeting of the Administrative Committee – under Section 205 or Section 206 of the Federal Power Act to unilaterally file at the FERC proposed revisions or modifications to this Agreement. The other Party shall have the right to contest such a unilateral filing pursuant to applicable FERC procedures.

3.5 **Material Changes Resulting from FERC Acceptance.** Notwithstanding the provisions of Article 13, if FERC accepts a filing of this Agreement or any amendment pursuant to this Article 3, subject to conditions that materially affect or are reasonably expected to materially adversely affect either Party’s ability to perform, the Parties agree to re-negotiate in good faith an amendment or amendments to this Agreement or to take other appropriate action so as to put each Party in effectively the same position in which the Parties would have been had the filing been accepted without such conditions. If, within 60 days, or some other time period mutually agreed upon by the Parties, after written notice of a material effect or reasonably expected material adverse effect pursuant to this Section 3.5 is provided by one Party to the other Party, the Parties (a) are unable to reach agreement as to what, if any, amendments are necessary, and (b) fail to take other appropriate action to put each Party in effectively the same position as the Parties would have been had the conditions not been placed on FERC’s acceptance, then either Party shall have the right, in its sole discretion, to terminate this Agreement subject to any regulatory filing requirements associated with such termination, but notwithstanding any other provisions of this Agreement.

**ARTICLE 4.**

**INTERCONNECTION AND INTERCONNECTION METERING**

4.1 **Facilities at Point(s) of Interconnection.** Middletown and Delmarva, during the term of this Agreement, shall operate and maintain in good and operable condition, such facilities as are necessary, appropriate and practicable at and in the area surrounding the Point(s) of Interconnection as described in a list to be maintained by the Administrative Committee. Nothing in this Agreement shall prevent Middletown, at its own expense, from installing check metering or other metering required in connection with its power supply. Delmarva shall cooperate and provide access to its facilities as needed by Middletown to install such metering.
4.2 **Connection with the Delmarva System.** All connections of Middletown’s electrical facilities with the Delmarva System shall be made in conformance with the Guidelines. In the event that a new Point of Interconnection is established for Middletown and, prior to construction of such new Point of Interconnection, Delmarva has updated the Guidelines, such updated Guidelines shall apply to the new Point of Interconnection; provided, however, that unless otherwise agreed to by the Administrative Committee, any updates to the Guidelines shall not be applied retroactively to existing Points of Interconnection. Middletown shall own and maintain all other necessary transformation, regulating, switching and protective equipment on Middletown’s side of the Points of Interconnection that may be reasonably requested by Delmarva to receive and use electric energy and to protect Delmarva’s service to its other consumers. The primary windings of the substation transformers are connected in a closed delta, and shall remain so, unless otherwise mutually agreed upon by both Parties.

4.3 **Meters.**

4.3.1 Delmarva shall furnish, install, maintain and own necessary system metering equipment. Middletown shall provide a support or other facilities as required for mounting of metering equipment.

4.3.2 The meter location(s) to be used by the Parties, as set forth in the simplified single line drawings to be maintained by the Administrative Committee, may be verified by either party, subject to the access restrictions set forth in Section 5.16.

4.4 **Maintenance of Meters.** Procedures with respect to maintenance, testing, calibrating, correction and registration records, and precision tolerance of all metering equipment shall be in accordance with Good Utility Practice and PJM billing meter standards in effect from time to time. The expense of testing any meter shall be borne by the Party owning such meter, except that when a meter tested at the request of the other Party is found to register within the PJM billing meter standard tolerance, the Party making the request shall bear the expense of such test. For all metering devices that depend upon an internal clock to record hours of operation, the clock must be maintained on a monthly basis to within ± 2 minutes of an agreed upon national standard.

4.5 **Registration.** Each Party may control its meters so as to prevent registration of erroneous or inappropriate data.

4.6 **Metering of Energy.** All metering of energy shall be the integration of kilowatt-hours in the clock hour, and the quantities thus obtained shall constitute the kilowatt load for such clock hour.

4.7 **Metering Procedure.** Electric energy shall be metered at the voltage outlined in a list to be maintained by the Administrative Committee. If energy is metered at such low-side voltage, transformer loss compensators shall be installed in conjunction with the metering equipment by the Party owning the metering equipment at each such metering point in order to determine the actual demand, energy, and reactive power supplied at the Point(s) of Interconnection. Where used, the transformer loss compensators at each such metering point shall be set so as to reflect the true losses in the substation transformers as reported by the transformer manufacturer to
Middletown and by Middletown to Delmarva. If the service to such substation is by way of a transmission line owned by Middletown, the settings of the loss compensators shall also include the true losses in such Middletown-owned transmission line, based upon line design data furnished by Middletown to Delmarva.

4.8 **Meter Malfunction.** In the event the meter testing described in Section 4.4 reveals that the meters or related equipment serving Middletown is outside of the PJM billing meter standard tolerance, adjusted meter readings shall be issued as follows: If the date on which the error first developed can be determined, adjusted meter readings shall be applied from that date. If the date on which the error first developed cannot be determined, adjusted meter readings shall be applied for a period equal to the lesser of (a) one year or (b) one-half of the time since the most recent meter test was conducted. In no event will Delmarva be liable for any costs incurred by Middletown as a result of adjusted invoices issued by PJM to Middletown or to Middletown’s LSE based upon the adjusted meter readings described herein. In no event will Middletown or Middletown’s LSE be liable for any costs incurred by Delmarva as a result of adjusted invoices issued by PJM to Delmarva based upon the adjusted meter readings described herein.

**ARTICLE 5. OBLIGATIONS OF THE PARTIES**

5.1 **Performance.** In carrying out the requirements of this Agreement the Parties shall act consistent with, and shall not be required to take any action that would contradict or violate, the Reliability Standards, FERC’s regulations, any Applicable Law or a Party’s FERC licenses, tariffs or approvals.

5.2 **Interconnection.** During the term of this Agreement, the Parties agree: (a) to remain electrically interconnected at the Point(s) of Interconnection (unless disconnection occurs as provided for in Section 2.2, in which event this Agreement will terminate); (b) to coordinate planning and operations over their interconnected facilities; and (c) to support to the extent possible, Delmarva’s and Middletown’s LSE’s applicable obligations under the PJM Agreements. It is the intention of the Parties that the Point(s) of Interconnection listed on a list to be maintained by the Administrative Committee describe the physical points of interconnection between the Middletown System and the Delmarva System. This Agreement is not intended to dictate the LMP busses that may be set forth in DEMEC’s Network Integration Service Agreement with PJM. In the event that the Point(s) of Interconnection are changed the Parties agree to revise the list maintained by the Administrative Committee to reflect the new Point(s) of Interconnection.

5.3 **Middletown Compliance with PJM Requirements.** Middletown shall operate its System in a manner that complies with the requirements set forth in Section 11.3.3 of the PJM Operating Agreement, or any such successor or provision. As of the Effective Date of this Agreement, Middletown complies with all such requirements.

5.4 **Data Reporting.** Delmarva shall provide Middletown’s annual capacity and transmission peak load contributions and hourly loads to PJM on behalf of Middletown, unless provided otherwise by Middletown in a manner satisfactory to PJM and Delmarva. As early as practicable, but no later than five business days prior to providing annual capacity and
transmission peak load contributions to PJM, Delmarva shall make such information available to Middletown for its review. Such data shall also be provided by Middletown to Delmarva. Delmarva shall provide to Middletown or Middletown’s designee all measurements of energy and other data needed by Middletown or its designee in conjunction with Middletown’s power supply, transmission and related services at least monthly. Delmarva agrees to cooperate in providing metering information to support Middletown’s power supply requirements as needed. Middletown shall provide to Delmarva all measurements of energy and other data needed by Delmarva in conjunction with Middletown’s power supply, transmission and related services.

5.5 **Other Services.** No power will be sold, exchanged, interchanged or swapped under this Agreement and this Agreement is not a contract for transmission service.

5.6 **Middletown Acquisition of Power Supply and PJM Services.** Middletown shall obtain the energy, capacity, ancillary services, transmission services and other related services required to meet its load obligations.

5.7 **Additional Points of Interconnection.** Middletown may, following the receipt of approval from the Administrative Committee, add additional Points of Interconnection with Delmarva pursuant to this Agreement, and subject to the Guidelines.

- 5.7.1 Each Party shall construct its facilities in accordance with specifications at least equal to those provided by the “National Electrical Safety Code of the Bureau of Standards of the United States Department of Commerce,” as amended or revised from time to time.

- 5.7.2 The Parties must adhere to the cost allocation terms listed in Schedule 5.7.

- 5.7.3 Any additional Points of Interconnection shall be added to the list maintained by the Administrative Committee as set forth in Section 4.1 of this Agreement.

5.8 **Ownership and Operation of Facilities.** Each Party shall retain sole control of its own facilities and service over such facilities. Each Party shall cooperate with the other in the interconnected operation of its respective System. The Parties’ agreement hereunder to coordinate the planning and operation of their respective Delmarva System and Middletown System (the “Systems”) shall include, but not be limited to, the following specific commitments of each Party: (a) promote reliability through planning and operation of the Systems; and (b) cooperate in the analysis, formulation and implementation of plans to prevent or eliminate conditions which impair the reliability of the Systems.

5.9 **Telecommunications Equipment.** The Parties agree to install, maintain and upgrade, as necessary, telemetering and related telecommunications equipment required to transmit information pursuant to this Agreement. The Parties recognize and agree that existing facilities are providing the required services as of the Effective Date and that those facilities shall continue to be utilized to meet the Parties’ obligations herein. Delmarva shall be solely responsible, at its expense, for the telecommunications equipment and services necessary to communicate information to and from PJM on behalf of the Delmarva Zone pursuant to this Agreement and the PJM Agreements.
5.9.1 Any additional expense incurred by Delmarva to obtain or utilize information from the existing Middletown equipment located at Delmarva’s site to meet its PJM or other obligations shall be borne solely by Delmarva.

5.9.2 Any additional expense incurred to meet future telecommunication requirements with respect to Middletown’s power supply or other services shall be borne solely by Middletown.

5.10 **Reactive Capability.**

5.10.1 **Planning.** Each Party shall plan to provide or arrange for sufficient reactive capability and voltage control facilities to meet the reactive requirements of its electric supply system.

5.10.2 **Operating Compliance.** Middletown shall maintain a power factor in accordance with the terms set forth in Section I of Schedule 5.10. If Middletown fails to maintain a power factor in accordance with Schedule 5.10 the provisions set forth in Section II of such schedule shall apply.

5.10.3 **Administrative Committee Review.** At least annually, the Administrative Committee will review each Party’s monthly power factor history and the plans of each Party to attain the power factors as required by this Agreement. The Administrative Committee will evaluate improvements at locations other than the existing Point(s) of Interconnection that may improve the power factor in a more cost-effective manner to attain the required power factor at the Point(s) of Interconnection.

5.11 **System Emergency.**

5.11.1 Each Party shall cooperate with the other Party in the implementation of all System Emergency procedures of PJM or the Delmarva Zone in recognition of the need to pursue a comparable operating policy in all service areas and to meet the Parties’ respective obligations under this Agreement. However, neither Party shall be obligated to take any action which the Party considers would cause unsafe conditions or damage to its or its customers’ facilities. These procedures shall include but are not limited to under-frequency load shedding, under-voltage load shedding, manual load dumping, load management and voltage reduction.

5.11.2 If either Party becomes aware of a System Emergency, it shall promptly notify the other Party. In the event that such System Emergency requires either Party, pursuant to Section 5.11.3, to disconnect from the other Party’s system, such notice shall be provided, to the extent practicable, prior to such disconnection. Otherwise, notice shall be given to the other Party as soon as practicable thereafter.

5.11.3 Either Party shall have the right to disconnect from the other Party’s system to protect its personnel or facilities from material harm, which such Party perceives, in its reasonable judgment, to be imminent absent such disconnection.

5.11.4 Any request to Middletown to undertake emergency procedures shall be made on a non-discriminatory basis, and shall in all cases be made using the same standards (in
duration, type of action and portion of load affected) Delmarva applies to its own system and to other wholesale customers in proximity to Middletown in response to a System Emergency. Middletown’s contribution to all such system operating actions shall be in accordance with instructions reasonably provided by Delmarva consistent with pertinent PJM practices and procedures and in accordance with this Agreement. Middletown shall not be held accountable for any failure to meet these obligations should Delmarva fail to provide adequate notification (as defined by the Administrative Committee) to Middletown.

5.12 **Good Standing.** Each Party shall take such reasonable actions and provide such information and data as may be reasonably necessary from time-to-time to enable Delmarva and Middletown to remain in good standing under the applicable terms of the PJM Agreements and RFC agreements.

5.13 **Fluctuations.** The Parties agree that electric service shall not be used in such a manner as to cause unusual fluctuations or disturbances.

5.14 **Unbalanced Loads.** Middletown shall at all times use energy in such manner that the load, as measured at the Point(s) of Interconnection, will be reasonably balanced equally among phases. If the average monthly load is out of balance by more than 10% of the load on the lowest phase, Delmarva shall notify Middletown in writing of such condition, and Middletown shall take reasonable steps in accordance with Good Utility Practice to bring the balance of loads within the aforementioned 10% tolerance. If Middletown fails within one month of the date of the written notice to bring the balance of the loads on each phase within the 10% tolerance, the matter shall be referred to the Administrative Committee, which shall be charged with the responsibility to determine a mutually agreeable solution.

5.15 **Superimposition of Electric Signals.** When either Middletown or Delmarva couples to, or superimposes any, signal on its electric system for control equipment, load management control, carrier current transmission, signal systems, communication broadcasting or any other purpose, the Party responsible for the superimposition of said signal will be responsible for preventing its interference with the operation of the other Party’s electric system’s metering, relaying, communications, or operations, at the Point(s) of Interconnection.

5.16 **Access to Premises.** Authorized agents or representatives of Delmarva, having the proper identification, shall have access at all reasonable times to the relevant premises of Middletown for the purpose of connecting and disconnecting service, meter reading, meter calibration and operating, testing, inspecting, repairing, removing and replacing any or all of the apparatus used to assure that wiring and equipment meet Good Utility Practice standards in connection with the supply of electricity. If Delmarva desires access to Middletown’s premises, Delmarva shall provide Middletown adequate prior notice of its desire for access, absent emergency circumstances necessitating a shorter notice period. Middletown shall have the right to have a representative present during all times that Delmarva’s personnel are on the premises. The authorized agents or representatives of Middletown, having the proper identification, shall have access at all reasonable times to the relevant premises of Delmarva for the purpose of connecting and disconnecting service, operating, testing, inspecting, repairing, removing, and replacing any or all of Middletown owned Interconnection Equipment. If Middletown desires access to Delmarva’s premises, Middletown shall provide Delmarva adequate prior notice of its
desire for access, absent emergency circumstances necessitating a shorter notice period. Delmarva shall have the right to have a representative present during all times that Middletown’s personnel are on the premises.

5.17 **Tampering Expressed Forbidden.** Neither Party shall permit any person other than a duly authorized representative of either Party to make any connection or a disconnection, either temporary or permanent between the Middletown System and the Delmarva System. Neither Party shall permit any person other than duly authorized representatives of either Party to set, change, remove or interfere with or make any connections to a Party’s meter or other property or any wiring between Party’s meter and the service wires of the other Party.

5.18 **Delivery Voltage Change.** If either Party plans to change the transmission voltage at any Point of Interconnection which is at the time serving Middletown, that Party agrees to give the other Party written notice of its intention to do so at the earliest practicable date, but in any event not less than 24 months prior to such change, and the other Party agrees that when so notified it will make reasonable efforts to change its equipment to accommodate such changed voltage by the time specified by the first Party.

5.18.1 If, at the time of initial service at a Point of Interconnection, Delmarva plans to change the transmission voltage at a specified later date, such plan, as defined in PJM’s Regional Transmission Expansion Plan (“RTEP”) shall be stated on a list to be maintained by the Administrative Committee for that Point of Interconnection. In such event, Middletown shall pay for any required modifications to its own equipment required to accommodate such new voltage unless such costs are identified by PJM and recoverable from Middletown or its LSE under the PJM Tariff.

5.18.2 If Delmarva requests that Middletown change the transmission voltage of the Point(s) of Interconnection at which Middletown is then receiving service, the full net cost (net of salvage value) of Middletown’s reasonable equipment changes in accordance with Good Utility Practice necessitated by the change in transmission voltage shall be reimbursed to Middletown by Delmarva upon presentation of invoices and other documents reasonably detailing the work done, equipment installed and related costs in accordance with Section 7.2 of this Agreement. Delmarva shall be responsible for all net costs associated with such change unless so identified by PJM and recoverable under the PJM Tariff. When Middletown-owned facilities are retired from service due to such change, the costs to be paid by Delmarva shall be determined by Middletown equal to the net remaining book cost of said retired facilities, plus the cost of their removal and less their salvage value and shall further include any related construction expenses. If said voltage change includes the sale to Delmarva of Middletown’s facilities then used to serve Delmarva, the sale price shall be determined by Middletown based on the net remaining book cost of said facilities and shall further include any related expenses incurred by Middletown.

5.18.3 If Middletown requests that Delmarva change the transmission voltage of the Point(s) of Interconnection at which Middletown is then receiving service, the full net cost (net of salvage value) of Delmarva’s reasonable equipment changes in accordance with Good Utility Practice necessitated by the change in transmission voltage shall be reimbursed to Delmarva by Middletown in accordance with Section 7.2 of this Agreement after presentation of invoices and
other documents reasonably detailing the work done, equipment installed and related costs except to the extent that such costs are identified by PJM and recoverable from Middletown or its LSE under the PJM Tariff. When Delmarva-owned facilities are retired from service due to such change, the costs to be paid by Middletown shall be determined by Delmarva equal to the net remaining book cost of said retired facilities, plus the cost of their removal and less their salvage value and shall further include any related construction expenses. If said voltage change includes the sale to Middletown of Delmarva facilities then used to serve Middletown, the sale price shall be determined by Delmarva equal to the net remaining book cost of said facilities and shall further include any related expenses incurred by Delmarva.

5.19  **Prearranged Interruption of Service.** Whenever it is necessary to interrupt service for work on lines or equipment, such work shall be done, as far as practicable, at a time that will cause the least inconvenience to Middletown. If practicable, Middletown shall be notified at least two weeks in advance of such prearranged interruption but in no event shall Middletown be notified less than 72 hours in advance, unless the interruption is a result of a System Emergency, in which case the provisions of Section 5.11 shall apply.

**ARTICLE 6.**

**GENERATION INTERCONNECTION PROVISIONS**

6.1  **Applicability of Provisions.** The provisions in this Article 6 and the Technical Considerations shall apply to any Generation Facility of one megawatt (1 MW) or greater that is directly connected to the Middletown System. Changes to the Technical Considerations shall not be applied retroactively. Middletown shall comply with these requirements in its operation of Middletown owned Generation Facilities. Middletown shall ensure compliance with requirements by its own and by third party owned Generation Facilities by requiring any owner of such Generation Facilities to enter into an interconnection agreement ("Middletown/Generation Owner IA") that incorporates the terms provided for in this Article. The Administrative Committee shall maintain a list of all of the Generating Facilities that are connected to the Middletown System. The list will include, at a minimum, facility locations, ownership information, maximum generating output capabilities, and the generator participation, if any, in the PJM markets. No Generation Facility of more than one megawatt (1 MW) in net output capability may be added to or deleted from the list, or its role in PJM markets modified or its maximum generating output capability changed unless Middletown has complied with the applicable RFC and PJM procedures and with the terms of this Agreement.

6.2  **Compliance with Delmarva Requests, Orders And Directives.** In the operation of its own Generation Facilities, Middletown shall comply with the requests, orders, directives and requirements of Delmarva to the extent such requests, orders, directives or requirements are (a) issued pursuant to Good Utility Practice, (b) not unduly discriminatory, and (c) otherwise in accordance with applicable tariffs. Middletown shall ensure that these same requirements will apply to third party owners of Generation Facilities through the terms of the Middletown/Generation Owner IA. In the event Middletown or the third party owner believes that a request, order or directive of Delmarva exceeds these limitations, they shall nevertheless comply with the request, order or directive of Delmarva unless such compliance will, in Middletown’s or the third party owner’s judgment in applying Good Utility Practice, harm its facilities or cause an unsafe condition and seek resolution of the dispute under Article 11. The
Parties agree to cooperate in good faith to expedite the resolution of any disputes arising under this Section 6.2.

6.3 **Middletown’s System Conditions.** If a Middletown owned Generation Facility or its operation is causing any condition on the Delmarva System that the Administrative Committee determines is not consistent with Good Utility Practice and that results in an unacceptable deterioration of the quality of electric service to other customers of Delmarva, Middletown, upon being provided written notice of such condition in reasonable detail, shall promptly prepare plans to modify its operations of its Generation Facility at its own expense in accordance with Good Utility Practice to alleviate such condition and implement such plans as soon as practicable. If Middletown fails to alleviate such condition, Delmarva, upon reasonable notice, may take appropriate action necessary and consistent with Good Utility Practice to correct the situation on the Delmarva System and shall charge Middletown for the reasonable costs incurred to perform such action. Such costs shall be reimbursable in accordance with Section 7.2 of this Agreement. In the event that there is disagreement as to the necessity, appropriateness, or reasonableness of the costs of the action taken by Delmarva, the Administrative Committee will determine a mutually agreeable solution. If a solution is not reached within 60 days of the first meeting of the Administrative Committee related to this issue, either Party may seek dispute resolution under Article 11.

6.4 **Delmarva System Conditions.** If any condition exists on the Delmarva System that the Administrative Committee determines is not consistent with Good Utility Practice and results in an unacceptable deterioration of the quality of electric service to the Middletown System, Delmarva, upon being provided written notice of such condition in reasonable detail, shall promptly prepare plans to modify its System as necessary at its own expense in accordance with Good Utility Practice to alleviate such condition and implement such plans as soon as practicable. If Delmarva fails to alleviate such condition, Middletown, upon reasonable notice, may take appropriate action necessary and consistent with Good Utility Practice to correct the situation on the Middletown System and shall charge Delmarva for the reasonable costs incurred to perform such action. Such costs shall be reimbursable in accordance with Section 7.2 of this Agreement. In the event that there is disagreement as to the necessity, appropriateness, or reasonableness of the costs of the action taken by Delmarva, the Administrative Committee will determine a mutually agreeable solution. If a solution is not reached within 60 days of the first meeting of the Administrative Committee, either Party may seek dispute resolution under Article 11.

6.5 **Protective Relays.** Middletown agrees to maintain mutually beneficial protective relay schemes, and to impose such requirement on third party owners of Generation Facilities through operation of the Middletown/Generation Owner IA, pertaining to each Generation Facility as described in the Technical Considerations. Such protective equipment shall provide safety for personnel, afford adequate protection against damage to either Party’s equipment, and prevent any interference with supply of service to its customers. Such Middletown, or third party Generation Facility owner, equipment must be installed and configured so that parallel operation of the Generation Facility must cease immediately and automatically for the loss of the Delmarva System primary electric source to the Middletown system. Middletown agrees to test such schemes to ensure that they are in good operational order, properly adjusted and consistent with Good Utility Practice. Upon request, Delmarva shall have access to the results of such tests.
conducted at a Generation Facility that may reasonably be expected to affect Delmarva’s system operation or reliability. Middletown, or the third party owner, as applicable, shall bear the cost of all relay calibration and functional testing associated with the protective relay schemes and equipment at a Generation Facility. For tests performed at Delmarva’s requests where nothing is found to be wrong, Delmarva shall bear the costs. All such costs shall be paid in accordance with Section 7.2 of this Agreement.

6.6 **Delmarva Review and Approval of Protective Relay Logic Equipment.** Delmarva shall have the right, using Good Utility Practice, to (a) review and approve all new protective relaying logic equipment, including equipment settings, drawings, and functionality associated with the point at which the Generation Facility is interconnected to the Middletown System (the “Middletown Interconnection Point”), and (b) review and approve all synchronization procedures necessary to establish and maintain proper and safe connection at the Middletown Interconnection Point. Approval by Delmarva shall not be unreasonably withheld. Middletown, or the third party generation owner, as applicable, shall, as necessary, upgrade its protection systems, inclusive of any synchronization system equipment associated with the Generation Facility, in accordance with Good Utility Practice in order to maintain compliance with Section 6.5. Delmarva’s review or lack of review of the aforementioned equipment and/or procedures shall not relieve Middletown of any responsibility for damages caused by Middletown’s negligence or faulty equipment.

6.7 **Standards for the Construction and Modification of Generation Facility.** The Generation Facility and any subsequent Modifications, including equipment associated with an increase in the Generation Facility Output, shall be designed, constructed and operated in accordance with this Agreement and Good Utility Practice, so as to maintain the safety and reliability of the interconnected operations between the Middletown and Delmarva Systems.

6.8 **Generation Facility Metering and Telemetering Requirements.** Middletown shall ensure that either the Generation Facility owner or Middletown installs, maintains and operates revenue quality billing meters that meet PJM requirements. These meters shall record and transmit kwh and kvarh flows both in and out of the Generation Facility. If these meters are owned by a third party Generation Facility owner, Middletown shall ensure, through terms of the Middletown/Generation Owner IA, that it has full access rights to the meter data either by automated or manual means, or both. Middletown shall share this data with Delmarva, as required. The owner of the metering shall properly maintain, test, and calibrate metering in accordance with PJM practices and procedures. The owner of the meters shall also maintain records subject to an audit. Telemetry from the Generation Facility must be assessable to Delmarva either directly by the Delmarva Transmission Control Center’s energy management system or indirectly from PJM. This telemetry shall include kw, kwh, kvar, kvarh and breaker status.

**ARTICLE 7. CHARGES AND COST REIMBURSEMENT**

7.1 **Recovery of Costs for Services Rendered.** Except as specifically provided for herein and as may be provided for under Middletown’s or Middletown’s LSE’s separate agreement with
PJM, there shall be no charges associated with services that may be rendered by either Party to the other under this Agreement.

7.2 **Reimbursement of Costs Incurred.** In the event that either Party incurs costs that are specifically reimbursable by the other Party under the provisions of this Agreement (referred to as “Reimbursable Costs”), said reimbursement will be made as follows:

7.2.1 **Invoices.** The Party seeking reimbursement must submit to the other Party, within no later than 30 days of incurring such reimbursable expense, an invoice for any such Reimbursable Costs. Each invoice must fully describe the work or services associated with the Reimbursable Costs, and must be accompanied by documentation supporting the costs incurred.

7.2.2 **Payment.** Payment of invoiced amounts will be due and payable within 30 calendar days after presentation of the invoice and will be paid by electronic transfer or check to a specified bank. If the due date of any payment falls on a Saturday, Sunday or holiday, payment shall be made on the next business day.

7.2.3 **Interest.** Interest on any unpaid amount shall accrue from the date such amount is due to be paid until such amount is paid in full at a rate equal to the annual percentage prime rate of interest being charged on such day for 90-day loans to substantial and responsible borrowers by Wilmington Trust Company, plus 2% or the maximum rate lawfully payable, whichever is less. If said due date falls on a Saturday, Sunday or a holiday, the next following business day shall be the last day on which payment may be made without the addition of the delayed-payment charge.

7.2.4 **Billing Disputes.** In the case either Party reasonably disputes the correctness of any portion of an invoice, such Party shall make payment of the amount that is not in dispute, pay into an independent escrow account the portions of invoices in dispute, pending resolution of the dispute and seek resolution of the amount in dispute through Article 11. In the event of a billing dispute between Delmarva and Middletown, the Parties shall continue to perform under the terms of this Agreement as long as both Parties continue to make all payments pursuant to this Section 7.2.4 pending the outcome of such dispute. When the decision or agreement with respect to the disputed amount is reached pursuant to Article 11, said amount shall be promptly paid, with interest accrued in accordance with Section 7.2.3 and computed from the date payment was due to the date of payment.

**ARTICLE 8.**
**ADMINISTRATION AND OPERATION**

8.1 **Representative.** Delmarva and Middletown shall each appoint one representative, and one alternate to act in the absence of such representative, to serve on a committee to act for each respective Party in all matters pertaining to or relating to this Agreement. The two representatives so appointed, or their alternates, shall comprise and be referred to as the Administrative Committee.

8.2 **Administrative Committee Procedures.** The members of the Administrative Committee shall communicate with each other on a regular basis. The Administrative Committee shall meet in person as soon as practicable subsequent to the request of either
Administrative Committee member. Each of the representatives shall each have one vote. All decisions made or directions given by the Administrative Committee shall be unanimous.

8.3 **Administrative Committee Responsibilities.** The Administrative Committee shall perform the responsibilities set forth in this Agreement and shall be responsible for the establishment, from time to time, of the operating practices and procedures for the interconnected operation of the facilities. The Administrative Committee will work together to resolve all compliance issues and shall have authority to adopt and document any waivers or modifications to the Guidelines that may be required for the mutual operation of the Delmarva System and the Middletown System. These practices and procedures shall be consistent with the provisions of this Agreement and with similar practices and procedures in effect under the PJM Agreements, the PJM Manuals or other applicable PJM documents.

8.4 **Authority with regard to Amendments, Lists and Drawings.** The Administrative Committee shall not have the authority to amend this Agreement. Notwithstanding the foregoing sentence or any provision of this Agreement to the contrary, the Parties hereby expressly grant the Administrative Committee the right to amend, and maintain, the lists and drawings referenced in this Agreement which are to be maintained by the Administrative Committee, including, but not limited to, the lists of points of interconnection and the simplified single-line drawings.

8.5 **Records.** The Administrative Committee shall keep written minutes of all meetings and decisions. Such records shall be maintained in accordance with Section 14.1 of this Agreement.

8.6 **Expenses.** Expenses incurred by a representative of the Administrative Committee shall be paid by the Party represented by such representative.

8.7 **Notification of Representative.** Each Party shall notify the other Party in writing of the personnel that it appoints, including subsequent replacement personnel to the original representatives, to the Administrative Committee.

8.8 **Unresolved Disputes.** In the event that a dispute cannot be resolved by the Administrative Committee, either Party shall have the right to seek a resolution through the Article 11 dispute resolution procedures.

**ARTICLE 9. LIABILITY**

9.1 **Delmarva Liability.** As between the Parties, Delmarva hereby assumes all risk of liability for injury or damage to persons, property, facilities and equipment occasioned by electric energy on the Delmarva side of the Point(s) of Interconnection and shall indemnify and save harmless Middletown from and against all such liability, except for injury caused by any act or omission by any of Middletown’s employees, representatives, or agents.

9.2 **Middletown Liability.** As between the Parties, Middletown hereby assumes all risk of liability for injury or damage to persons, property, facilities and equipment occasioned by electric energy on the Middletown side of the Point(s) of Interconnection and shall indemnify
and save harmless Delmarva from and against all such liability except for injury caused by any act or omission by any of Delmarva’s employees, representatives, or agents.

9.3 **Consequential Damages.** In no event shall either Party (or its affiliates, members, managers, shareholders, officers, directors, employees, successors or assigns) be liable to the other Party, whether in contract, tort (including negligence and strict liability) or otherwise, for indirect, punitive, consequential or special damages relating to or arising out of this Agreement, including, without limitation, attorneys’ fees, litigation costs, lost profits or revenues and loss of goodwill.

9.4 **Indemnification by Middletown.** Middletown shall be directly responsible to Delmarva for all Middletown obligations and liabilities relating to or arising out of this Agreement whether it elects to perform its obligations hereunder on its own behalf or through one or more representatives or agents. To the extent permitted by law, Middletown expressly agrees to indemnify, hold harmless and defend Delmarva (and its affiliates, members, managers, shareholders, officers, directors, employees, successors or assigns) from any losses, liabilities, costs, expenses, suits, actions, claims and all other obligations arising out of injuries or death to persons or damage to property, facilities or equipment caused by any act or omission by any of Middletown’s employees, representatives or agents. Except that Middletown’s obligation to indemnify Delmarva shall not apply to the extent of any liabilities arising from Delmarva’s (or its affiliates, members, managers, shareholders, officers, directors, employees, successors or assigns) negligent, reckless or intentional acts or omissions. In the event that Middletown retains subcontractors to perform services that are reimbursed by Delmarva hereunder, Middletown shall hold Delmarva harmless from any claims by said subcontractors, or their subcontractors, related to a failure by Middletown to make payments as required in their said contractor agreement.

9.5 **Indemnification by Delmarva.** Delmarva shall be directly responsible to Middletown for all Delmarva obligations and liabilities relating to or arising out of this Agreement whether it elects to perform its obligations hereunder on its own behalf or through one or more representatives or agents. To the extent permitted by law, Delmarva expressly agrees to indemnify, hold harmless and defend Middletown (and its affiliates, members, managers, shareholders, officers, directors, employees, successors or assigns) from any losses, liabilities, costs, expenses, suits, actions, claims and all other obligations arising out of injuries or death to persons or damage to property, facilities or equipment caused by any act or omission by any of Delmarva’s employees, representatives or agents. Except that Delmarva’s obligation to indemnify Middletown shall not apply to the extent of any liabilities arising from Middletown (or its affiliates, members, managers, shareholders, officers, directors, employees, successors or assigns) negligent, reckless or intentional acts or omissions. In the event that Delmarva retains contractors to perform services that are reimbursed by Middletown hereunder, Delmarva shall hold Middletown harmless from any claims by said subcontractors, or their subcontractors, related to a failure by Delmarva to make payments as required in their said contractor agreement.

9.6 **NERC Compliance.** Each Party acknowledges that it retains the sole responsibility to operate, maintain, dispatch, manage or otherwise control its respective facilities in compliance with any and all applicable Reliability Standards. Nothing in this Agreement shall in any way require a Party to accept any liability whatsoever for the operation, maintenance, dispatch or
management of facilities in compliance with any and all applicable Reliability Standards that it does not own.

ARTICLE 10.
WAIVER OF RIGHTS

10.1 Any waiver or lack of enforcement at any time of the right of either Party as to any default of the other Party or any other matter arising hereunder shall not be deemed a waiver as to any default or other matter subsequently occurring.

ARTICLE 11.
DISPUTE RESOLUTION

11.1 Initial Resolution. All questions regarding the interpretation or implementation of this Agreement or resolution of any disputes hereunder shall be referred to the Administrative Committee for determination. If such dispute remains unresolved for 30 days after the dispute is submitted to the Administrative Committee, the question shall be submitted, by the Administrative Committee, in writing to the Presidents/Chief Executive Officers for each Party, or their designated representatives, for resolution of any such issues.

11.2 Arbitration. In the event the Presidents/Chief Executive Officers, or their designated representatives, fail to reach a decision on any matter within 60 days, any dissatisfied Party may, at any time after such 60 days and for so long as the dispute remains unresolved, request that the matter in question be decided by arbitration in accordance with the expedited rules of the American Arbitration Association (“AAA”). The dispute shall then be submitted to arbitration for resolution. If the dispute is submitted to arbitration under this Section, then such arbitration shall be the exclusive remedy for the dispute in question. The Party seeking arbitration shall specify in writing its demand, including the relevant law, if applicable, and facts supporting such demand.

11.2.1 Parties desire to have a single arbitrator conduct the arbitration. If the Parties are unable to agree on a single arbitrator within 60 days, then either Party may, by written notice to the other, request that their differences be submitted to a board of three arbitrators. Each Party shall within five days of such request select and name one arbitrator and shall immediately thereafter notify each other in writing of the name and address of the person so selected. The arbitrator(s) must have at least five years’ experience in the electric utility industry, including knowledge of electric plant substations and electric transmission matters. The arbitrators so selected and named shall, within 10 days from such request, agree upon and select and name a neutral arbitrator. If either Party does not select its arbitrator or if the arbitrators shall fail to agree upon, select and name a neutral arbitrator within the 10 day period, either Party may request the AAA to utilize its procedures for the selection of the neutral arbitrator. As soon as possible after receipt of such request, the neutral arbitrator will be selected in accordance with rules and procedures prescribed by the AAA for making such selection.

11.2.2 As soon as possible after the selection of the neutral arbitrator, the three arbitrators, or if either Party shall not have selected its arbitrator, the two arbitrators, as the case may be, such arbitrator(s) shall meet with the Parties or their representatives, or both, either
jointly or separately, make inquiries and investigations, hold hearings, or take such other steps as they deem appropriate. Any meetings or hearings relating to this arbitration shall be held at a mutually agreeable location in Washington, D.C., unless the Parties otherwise agree, or at a location selected by the arbitrator(s), if the Parties are unable to agree.

11.2.3 The arbitrator(s) shall decide any disputes regarding the timeliness of the demand for arbitration or the arbitrability of any claim or dispute. The arbitrator(s) shall use commercially reasonable efforts to devise a reasonable and equitable final solution to the dispute covered by the written demand under Section 11.2 within five business days after the hearings or meetings are completed.

11.2.4 The award rendered by the arbitrator(s) shall be final and represent the full and exclusive remedy between the Parties regarding this dispute. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof in order to obtain compliance therewith. In rendering the award, the arbitrator(s) resolution shall be in accordance with the laws of the State of Delaware.

11.2.5 The Parties agree that they may only request that the arbitrator(s) award direct compensatory damages, and the Parties shall have no right to request and that any arbitrator(s) shall have no authority to award, treble, exemplary or punitive damages of any type under any circumstances whether or not such damages may be available under state or federal law, or under the Federal Arbitration Act, or under the Commercial Arbitration Rules of the AAA, the Parties hereby waiving their right, if any, to recover any such damages.

11.2.6 The arbitrator(s) shall issue a confidential written opinion containing his or her decision. The Parties shall divide equally the costs of the arbitrator(s) and shall be responsible for their own expenses and those of their counsel and representatives. No Party or arbitrator(s) may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of the Parties.

ARTICLE 12.
DEFAULT

12.1 **Failure to Meet Obligations.** Each Party hereto shall be considered in default in the event that, after notification of its default status, it does not meet its obligations under this Agreement within 60 business days of such notification. A Party hereto is considered to be in default until all amounts in arrears, including the interest thereon, accrued are paid in full to the Party hereto not in default unless otherwise mutually agreed to by the Parties.

12.2 **No Obligation to Provide Benefits.** Each Party hereto has no continuing obligation to provide the benefits of interconnected operations to the Party in default as determined in Section 12.1; provided, however, that the obligation to provide such benefits shall be reinstated as soon as reasonably practicable after a cure of the default.

12.3 **Mitigation.** In the event either Party hereto should be found in default, that Party shall take reasonable measures in accordance with Good Utility Practice to mitigate the continued impact of default on the Party hereto not in default.
12.4 **Remedies.** In the event either Party hereto should be found in default, the other, non-defaulting Party, shall be entitled to the remedies set forth in Schedule 12.4.

**ARTICLE 13. MODIFICATIONS AND TERMINATIONS**

13.1 **Good Faith Negotiations upon Occurrence of Certain Events.** If one of the following events (a “Section 13.1 Event”) takes place, the Parties agree to re-negotiate in good faith an amendment or amendments to this Agreement addressing such Section 13.1 Event or to take other appropriate action so as to put each Party in effectively the same position in which the Parties would have been had the Section 13.1 Event not occurred:

13.1.1 PJM, RFC, or NERC prevents, in whole or in part, either Party from performing any obligation under this Agreement in accordance with its terms; or

13.1.2 PJM practices and procedures are modified in a manner that materially adversely affects either Party’s ability to perform its obligations under this Agreement; or

13.1.3 Any Governmental Authority implements any change in any law, regulation, rule or practice which materially affects or is reasonably expected to materially affect either Party’s ability to perform under this Agreement.

13.2 **Failure to Agree After Occurrence of Certain Events.** If, within 60 days, or some other time period mutually agreed upon by the Parties, after written notice of a Section 13.1 Event is provided by one Party to the other Party, the Parties are (a) unable to reach agreement as to what, if any, amendments are necessary and (b) fail to take other appropriate action to put each Party in effectively the same position as the Parties would have been had the Section 13.1 Event not occurred, then the Parties:

(i) shall, for so long as the Agreement remains in effect, continue to perform under this Agreement to the maximum extent possible, taking all reasonable steps to mitigate any adverse effect on each other resulting from the Section 13.1 Event;

(ii) have the right, at each Party’s sole discretion, to unilaterally file with the FERC, pursuant to Section 205 or Section 206 of the Federal Power Act, as appropriate, proposed revisions to this Agreement which the Party deems reasonably necessary to put each Party in effectively the same position in which the Parties would have been, had the Section 13.1 Event not occurred. Either Party may contest any such unilateral filing, pursuant to applicable FERC procedures; and

(iii) have the right, if either Party (the “Terminating Party”) determines that a change in law, regulation, rule or practice issued by a Governmental Authority terminates the necessity for Middletown to remain interconnected to the Delmarva System or materially affects or is reasonably expected to materially affect either Party’s ability to perform or to otherwise maintain this Agreement, the Terminating Party shall provide written notice of such determination to the other Party and this Agreement shall terminate on the date that is the one year anniversary of the date that the Terminating Party sends such notice, unless the Parties mutually agree to a different date for such termination. However, nothing herein shall be
deemed to prohibit either Party from unilaterally seeking FERC approval of a replacement agreement to take effect upon termination by the other Party and nothing shall prevent said other Party from contesting such a unilateral filing pursuant to applicable FERC procedures.

13.3 **Conformance to PJM Modifications.** As PJM practices and procedures shall be modified in the future, the Administrative Committee shall modify the practices and procedures hereunder to conform as closely as practicable to the PJM modifications within the intent of this Agreement. The Parties do not intend that this Agreement conflict with agreements that Delmarva and/or Middletown and/or Middletown’s LSE have entered into with PJM. The procedures set forth in this Agreement shall be interpreted to the extent reasonably possible so as not to conflict with procedures set forth in agreements that Delmarva and/or Middletown’s LSE have entered into with PJM. To the extent that an irreconcilable conflict exists, the procedures set forth in agreements Delmarva and/or Middletown and/or Middletown’s LSE have entered into with PJM shall prevail; provided, however, that such PJM procedures must be standard procedures employed by PJM and not the result of a special arrangement between PJM and Delmarva or between PJM and Middletown and/or Middletown’s LSE.

13.4 **Amendments to Agreement.** Any amendment the Parties negotiate pursuant to Section 13.1 or otherwise must be executed by the Parties in writing and, if required, filed with FERC or any other appropriate regulatory agency in accordance with Section 3.2.

13.5 **Disconnection.** Upon termination or expiration of this Agreement, and in the event that no replacement agreement exists, the Parties will take all appropriate steps to disconnect Middletown’s facilities from Delmarva’s system, consistent with each Party’s right and obligations under the Federal Power Act. All costs required to effectuate such disconnection shall be borne by the Terminating Party and paid in accordance with Section 7.2 of this Agreement unless such termination resulted from the non-terminating Party’s default or inability to perform because of an extended event of force majeure.

**ARTICLE 14. AUDITS**

14.1 **Recordkeeping.** During the term of this Agreement, each Party shall maintain auditable records relating to the activities it is obligated to perform pursuant to this Agreement, including without limitation all bills rendered pursuant to this Agreement.

14.2 **Audit.** Within two years following a calendar year, Middletown or Delmarva, at their own expense, shall have the right to audit each other’s accounts and records pertaining to transactions under this Agreement that occurred during such calendar year at the offices where such accounts and records are maintained during normal business hours; provided, that the audit shall be limited to those portions of such accounts and records that reasonably relate to the services provided to the other Party under this Agreement for said calendar year. The Party being audited shall be entitled to review the audit report and any supporting materials. An audit may be made from time to time, but in no event shall any such audit be concluded later than six months after the expiration of this Agreement. Any audit shall be sent to each Party and the Party audited shall advise the other Party within three months of the receipt of said report of any exception or objection to any portion of said report. Any payments owed or credits due that are
discovered in any audit shall not be subject to interest or penalty costs and shall be paid in full within 30 days of the finalization of the audit, unless otherwise agreed to by the Parties.

14.3 **Confidential Information and Audits.** To the extent that audited information includes confidential information, to the extent legally permissible, the Party requesting the audit may select an independent auditor to perform the audit consistent with the Party’s rights under this Agreement and with such confidentiality arrangements as may be required by the confidentiality obligation in question. The Party requesting an independent auditor pursuant to this Section 14.3, shall pay all costs of any independent auditor associated with such audit.

**ARTICLE 15. SUCCESSORS AND ASSIGNS**

15.1 The rights and obligations created by this Agreement shall inure to the benefit of, and be binding upon, the successors and assigns of the respective Parties hereto; provided, however, neither Party may assign this Agreement or its rights hereunder without the prior written consent of the other Party, which consent shall not be unreasonably withheld. Either Party may, without consent of the other Party, assign this Agreement by way of pledge to a trustee under a mortgage or indenture to secure its indebtedness.

15.1.1 No assignment under this section shall relieve the assigning Party from liability under this Agreement.

15.1.2 Any successor pursuant to this Agreement shall be bound by all terms and conditions hereof and shall assume all obligations of the assignor.

**ARTICLE 16. FORCE MAJEURE**

16.1 **Force Majeure.** Neither Party shall be liable to the other Party for damages or otherwise be in breach of this Agreement to the extent and during the period such Party’s performance is prevented by any cause or causes beyond such Party’s reasonable control and without such Party’s fault or negligence, including but not limited to any act, omission, or circumstance occasioned by or in consequence of any act of God, labor disturbance, act of public enemy, war, insurrection, riot, fire, storm or flood, explosion, breakage or accident to machinery or equipment, or curtailment, order, regulation or restriction imposed by governmental, military or lawfully established civilian authorities; provided, however, that any such foregoing event shall not excuse any payment obligation. Economic hardship of either Party, whether or not related to performance under this Agreement, shall not constitute force majeure under this Agreement.

16.2 **Notice.** A Party unable to fulfill any obligation hereunder (other than an obligation to pay money when due) by reason of force majeure shall give notice and the full particulars of such force majeure to the other Party in writing or by telephone as soon as reasonably possible after the occurrence of the cause relied upon. Telephone notices given pursuant to this Section 16.2 shall be confirmed in writing as soon as reasonably possible and shall specifically state full particulars of the force majeure, the time and date when the force majeure occurred and when the force majeure is reasonably expected to cease.
16.3 **Due Diligence.** Upon the occurrence of an event considered by a Party to constitute a force majeure event, such Party shall use due diligence to endeavor to continue to perform its obligations as far as reasonably practicable and to remedy the event; provided, that no Party shall be required by this provision to settle any strike or labor dispute.

16.4 **Extended Force Majeure.** In the event of an extended event of force majeure, which prevents either Party from performing under this Agreement for a consecutive period of six months, either party may terminate this Agreement, upon providing 30 days’ written notice to the other Party.

16.5 **Term.** Under no circumstances shall the occurrence of an event of force majeure extend the term of this Agreement.

**ARTICLE 17. REPRESENTATIONS AND WARRANTIES**

17.1 **Delmarva’s Representations and Warranties.** Delmarva represents and warrants that:

17.1.1 It is a corporation validly existing and in good standing under the laws of Delaware and Virginia and that it has all requisite power and authority to carry on the business to be conducted by it and to enter into this Agreement and shall maintain such status during the term of this Agreement. The execution and delivery of this Agreement and the performance of Delmarva’s obligations hereunder have been duly authorized by appropriate executive authority.

17.1.2 There is no threatened or pending action or proceeding affecting Delmarva before any court, Governmental Authority or arbitrator that could reasonably be expected to materially adversely affect the financial condition or operations of Delmarva in a manner that would impair the ability of Delmarva to perform its obligations hereunder or purports to affect the legality, validity or enforceability of this Agreement.

17.1.3 Delmarva is in compliance with all applicable Reliability Standards.

17.2 **Middletown’s Representations and Warranties.** Middletown represents and warrants that:

17.2.1 It is a legal entity duly organized, validly existing and in good standing under the laws of its formation and that it has all requisite corporate power and authority to carry on the business presently conducted by it and to enter into this Agreement and shall maintain such status during the term of this Agreement. The execution and delivery of this Agreement and the performance of Middletown’s obligations hereunder have been duly authorized by appropriate executive authority.

17.2.2 There is no threatened or pending action or proceeding affecting Middletown before any court, governmental agency or arbitrator that could reasonably be expected to materially adversely affect the financial condition or operations of Middletown in a manner that would impair the ability of Middletown to perform its obligations hereunder or purports to affect the legality, validity or enforceability of this Agreement.
17.2.3 Middletown is in compliance with all applicable Reliability Standards.

17.3 **Representations of Both Parties.** The representations and warranties in Sections 17.1 and 17.2 shall continue in full force and effect for the term of this Agreement.

ARTICLE 18.
MISCELLANEOUS PROVISIONS

18.1 **Entire Agreement.** This Agreement shall constitute the entire agreement between the Parties hereto relating to the subject matter hereof, and all previous agreements, discussions, communications, and correspondence with respect to the subject matter hereof not set forth in this Agreement are of no force and effect.

18.2 **No Joint System.** The Parties each own and operate separate interconnected Systems, and no provision of the Agreement shall be interpreted to mean or imply the Parties have established or intend to establish a jointly owned System, a joint venture or a partnership. This Agreement does not constitute an agreement to form a regional transmission group or organization as such term is used by FERC.

18.3 **Insurance.** Each Party shall, at its own expense, maintain in force throughout the period of this Agreement, and until released by the other Party, commercially reasonable insurance coverages, with insurers authorized to do business in the state where the Point of Interconnection is located, or adequate evidence of self-insurance.

18.4 **Waiver of Rights.** No failure or delay on the part of Delmarva or Middletown in exercising any of its rights under this Agreement, no partial exercise by either Party of any of its rights under this Agreement, and no course of dealing between the Parties shall constitute a waiver of the rights of either Party under this Agreement. Any waiver shall be effective only by a written instrument signed by the Party granting such waiver, and shall not operate as a waiver of, or estoppel with respect to, any subsequent failure to comply therewith.

18.5 **No Rights to Other Persons.** Except as specifically provided herein, nothing in this Agreement, express or implied, is intended to confer on any other person except the Parties hereto any rights, interests, obligations or remedies hereunder nor shall this Agreement be interpreted or construed as one for the benefit of third persons.

18.6 **Severability.** In the event that any clause or provision of this Agreement or any part hereof shall be held to be invalid, void, or unenforceable by any court or Governmental Authority of competent jurisdiction, said holding or action shall be strictly construed and shall not affect the validity or effect of any other provision hereof, and the Parties shall endeavor in good faith to replace such invalid or unenforceable provision with a valid and enforceable provision which achieves the purposes intended by the Parties to the greatest extent permitted by law.

18.7 **Execution of Documents.** The Parties hereto agree to execute and deliver promptly, at the expense of the Party requesting such action, any and all other and further instruments, documents and information which may be reasonably requested in order to effectuate the transactions contemplated hereby.
18.8 **Middletown Right to Assign Agent.** With prior notice to Delmarva, Middletown shall have the right to appoint another party to act as its agent in the administration of this Agreement. Appointment of an agent pursuant to this provision shall not relieve Middletown from any of its obligations or liabilities under this Agreement.

18.9 **Subcontractors.** Nothing in this Agreement shall be construed as preventing either Party from utilizing the services of subcontractors as it deems appropriate; provided, however, that all such subcontractors comply with the applicable terms and conditions of this Agreement. Any Party utilizing a subcontractor for the performance of any duties or obligations under this Agreement shall require such subcontractors to comply with the terms of this Agreement, including any related requirements arising under Applicable Law. The creation of any subcontract relationship shall not relieve the Party utilizing the services of such subcontractor of any of its obligations under this Agreement.

18.10 **Interpretation.** In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring either Party by virtue of authorship of any of the provisions of this Agreement. Any reference to any federal, state, local, or foreign statute or law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise. The word “including” in this Agreement shall mean including without limitation.

18.11 **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original.

18.12 **Independent Contractor.** Each Party shall act as an independent contractor with respect to the provision of services hereunder.

18.13 **Headings Not to Affect Meaning.** The descriptive headings of the various articles and sections of this Agreement are inserted for convenience only and shall not restrict or modify the terms and provisions hereof.

18.14 **Governing Law.**

18.14.1 This Agreement shall be governed by, interpreted and construed in accordance with the laws of the State of Delaware.

18.14.2 The obligations of Delmarva and Middletown hereunder are subject to any present and future Applicable Laws.

18.14.3 Each Party expressly reserves the right to seek changes in, appeal, or otherwise contest any laws, orders, rules, or regulations of Government Authority.

18.14.4 Each Party agrees not to assert that any suit, action, or proceeding under such jurisdiction is in an inconvenient forum or that venue is improper.

18.15 **Confidentiality of Information.** Certain information provided by each Party (the “Disclosing Party”) to the other Party (the “Receiving Party”) pursuant to the provisions of this
Agreement may be designated by the Disclosing Party as confidential and/or proprietary (“Confidential Information”). The Receiving Party shall use such Confidential Information solely for the purpose for which it was intended and for no other purpose. After the Receiving Party has used such Confidential Information, upon the Disclosing Party’s request, the Receiving Party shall either return such Confidential Information (including any copies of the Confidential Information in Receiving Party’s possession) or, at Receiving Party’s option destroy such Confidential Information. The Receiving Party may disclose Confidential Information to third parties only when required by Applicable Law or PJM rules, or with the advance express permission of the Disclosing Party; provided, that prior to doing so, the Receiving Party shall provide the Disclosing Party with as much advance notice as is reasonably practicable under the circumstances. This information includes but is not limited to the annual load forecasts.

18.15.1 Notwithstanding anything in this Section to the contrary, and pursuant to 18 C.F.R. § 1b.20, if the FERC or its staff, during the course of an investigation or otherwise, requests information from one of the Parties that is otherwise required to be maintained in confidence pursuant to this Agreement, the Party shall provide the requested information to the FERC or its staff within the time period provided for in the request for information. Neither Party shall notify the other Party prior to the release of the Confidential Information to FERC or its staff. In providing the information to the FERC or its staff, the Party may, consistent with 18 C.F.R. 388.112, request that the information be treated as confidential and non-public by the FERC and its staff and that the information be withheld from public disclosure. The Party shall notify the other party to the Agreement when it is notified by FERC or its staff, that a request for disclosure of, or decision to disclose, confidential information has been received, at which time either of the Parties may respond before such information would be made public, pursuant to 18 C.F.R. 388.112.

18.16 Notices. Written notices required by this Agreement shall be deemed properly sent if delivered in person or sent by facsimile with confirmation by phone and mail, registered or certified mail, or by overnight courier service, postage prepaid, to the persons below:

(a) If to Delmarva:

Vice President, Asset Management
Pepco Holdings, Inc.
P. O. Box 9239
Newark, DE 19714-9239

With a copy to:
Pepco Holdings, Inc.
Attn. Legal Services
701 Ninth St., N.W.
Washington, D.C. 20068
(b) If to Town of Middletown:

Town of Middletown
19 West Green Street
Middletown, DE 19709

With a copy to:
President & CEO
DEMEC, Inc.
22 Artisan Drive
Smyrna, DE 19977

Any name and/or address set out in this Agreement may be changed by written notice by one Party or the other without making a filing at FERC or a formal amendment to this Agreement.

[signature page follows]
IN WITNESS WHEREOF, Delmarva and Middletown have caused this instrument to be executed by their duly authorized representatives as of the day and year first above written.

DELMARVA POWER & LIGHT COMPANY

[Signature]

Name: Michael W. Maxwell

Title: Vice President, Asset Management

Date: December 10, 2010

Town of Middletown, DELAWARE

Name:

Title:

Date:
IN WITNESS WHEREOF, Delmarva and Middletown have caused this instrument to be executed by their duly authorized representatives as of the day and year first above written.

DELMARVA POWER & LIGHT COMPANY

__________________________
Name: Michael W. Maxwell

Title: Vice President, Asset Management

Date: 

Town of Middletown, DELAWARE

[Signature]

Name: Kenneth L. Branner, Jr.

Title: Mayor

Date: January 5, 2011
SCHEDULE 5.7 – COST ALLOCATION

Delmarva will operate and maintain all facilities that are owned by Delmarva. This includes facilities that were constructed by Middletown but ownership was later transferred to Delmarva. Delmarva will be responsible for the costs associated with the ongoing operation, maintenance, and upgrade of these facilities. This includes responsibility for modifications of the Delmarva System that are necessary to adequately serve future load growth.

Delmarva will fund network upgrades of existing Delmarva equipment and the direct interconnection equipment associated with a new interconnection on the PJM network side of the Point-of-Interconnection where the interconnection is constructed in accordance with Delmarva’s normal practice for the class of service required.

Delmarva will determine what normal class of service is available (e.g. voltage, line/breaker capacity) at the requested location, based on existing and planned Delmarva facilities in the vicinity and Middletown’s requirements. This will include the facilities required to provide a normal class of service pursuant to Delmarva’s standard practices either for a new interconnection, or to accommodate a change in the normal class of service necessitated by load growth on Middletown’s system or a change in the facilities or voltage available on the Delmarva System. Network upgrades include, for example, relay upgrades at Delmarva substations necessary for adding an interconnection at a Delmarva substation or on a Delmarva transmission line. Direct interconnection equipment includes, for example, a 3-way tap switch or ring bus equipment necessary for connecting to a Delmarva transmission line.

The Point-of-Interconnection will be established by Delmarva in collaboration with Middletown. The Point-of-Interconnection will generally be at or close to the point where network through-flow facilities meet facilities that only serve Middletown.

The metering point will be as close as reasonably possible to the Point-of-Interconnection.

Middletown is responsible for:

- Obtaining necessary real estate.
- Providing real estate or a perpetual lease for Delmarva to operate all interconnection equipment.
- Obtaining construction and operating access to the interconnection facilities.

- All permitting associated with the property, equipment, or operation of facilities (unless all parties agree otherwise).

- The cost of interconnection metering equipment and installation, including instrument transformers and support structures.

- Executing a “Bill of Sale” for any equipment transfer to Delmarva.

- Any special requests, for example, an acceleration of an interconnection project, additional equipment, or construction of a transmission line to Middletown’s facility.

- Incidental power supply for Delmarva (metering, protective relaying, but not control-house power).

Requests for items beyond what Delmarva considers normal, or outside of these guidelines, will be the cost responsibility of Middletown. This could include, for example, a non-standard configuration, additional equipment, redundant equipment, compact designs, interconnections not justified by load growth, or acceleration of a project. In such cases, the installed cost in excess of the installed cost of a normal interconnection will be reimbursed as CIAC and grossed up for taxes, and any significant additional operation and maintenance expense may be collected as a negotiated surcharge.

If Middletown cancels a planned interconnection for which Delmarva has spent considerable hours designing and/or ordered interconnection equipment, then Middletown must reimburse Delmarva for these expenditures.

Any outstanding payments must be paid before a new interconnection project will be energized.

Should Middletown desire to electrically tie two or more supply points together (at any voltage), there would be a need to have Delmarva and possibly PJM study the proposal. System upgrade costs associated with this type of tie are the responsibility of Middletown. Middletown will be responsible for having a study performed by a vendor acceptable to Delmarva and PJM. Delmarva will help Middletown develop the study criteria. This is not
necessary for temporarily tying lines together for switching when Delmarva permission has been granted.

**Income Tax Gross-up (CIAC)** – If there are any facilities that will be owned by Delmarva but are provided by Middletown at no cost to Delmarva, these facilities require a tax gross-up fee to be applied. This will be required from Middletown as part of the interconnection costs. This tax gross-up is based on Delmarva’s additional federal and state tax obligations resulting from the transfer of ownership of interconnection facilities.

The tax gross-up is usually expressed as a percentage. It varies each year, and the current year values can be obtained from Delmarva. Tax gross-up fees for ownership transfers are calculated based on the year that facility ownership changes from Middletown to Delmarva.

If the IRS eliminates, or Middletown obtains IRS certification, that equipment is not taxable, Delmarva will not change the tax gross-up.
SCHEDULE 5.10 – POWER FACTOR COMPLIANCE

I. Middletown shall maintain a power factor based on Middletown total load, as measured during the Delmarva Zone monthly peak hour, of 98.5% or better.

II. If Middletown’s monthly power factor drops below 98.5% the following shall apply:

   i. Delmarva will provide written notice to Middletown notifying Middletown that it will have sixty (60) days from the date of the written notice to document to the Administrative Committee any mitigating conditions causing the noncompliance or to develop a plan to correct such noncompliance.

   ii. After review of the mitigating conditions and/or plan to correct the noncompliance, the Administrative Committee shall set compliance schedules within ninety (90) days as necessary to bring Middletown back into compliance as soon as practical.

   iii. If Middletown does not meet the Administrative Committee’s compliance schedule, or if no mitigation was offered, then Middletown shall be considered noncompliant.
SCHEDULE 12.4 – REMEDIES

In the event of a default by either Party, and unless otherwise mutually agreed to by the Parties, the defaulting Party shall owe and reimburse the non-defaulting Party for all costs reasonably incurred from the date of the default until the defaulting condition is resolved to the satisfaction of the non-defaulting Party within a period of time defined by the non-defaulting Party.

Notwithstanding anything to the contrary provided for herein, Middletown’s liability to Delmarva for a failure to comply with Section 5.6 or 5.4 (referred to as a “Middletown 5.6 Default”) shall be defined as follows:

Middletown shall have an obligation to pay damages to Delmarva for a Middletown 5.6 Default only if:

i. The Middletown 5.6 Default results in charges attributable to Middletown’s usage (referred to as “Middletown Charges”) appearing on Delmarva’s PJM invoice; and

ii. The Middletown Charges did not appear on Delmarva’s invoice as a result of Delmarva’s failure to accurately report Middletown’s annual capacity and transmission peak load contributions and hourly loads to PJM as required by Section 5.4; and

iii. Delmarva has made a good faith effort to have PJM remove the Middletown Charges from the Delmarva PJM invoice, but notwithstanding such good faith effort, all or a portion of such Middletown Charges remain on Delmarva’s PJM invoice.

In the event that all of the above requirements are satisfied, Middletown shall be liable to Delmarva for the Middletown 5.6 Default in an amount equal to the sum of (1) the Middletown Charges (except to the extent that PJM has removed such Charges from Delmarva’s PJM
invoice) and, (2) Delmarva’s internal and out-of-pocket costs associated with extracting the
Middletown Charges from the PJM invoice and which may be otherwise incurred as a result of
the Middletown 5.6 Default (referred to as the “Delmarva Costs”). The Parties agree that
Delmarva Costs shall be deemed to be equal to $1000.00 for each day of Middletown’s 5.6
Default and the Parties further agree that such amount is a reasonable estimate of the Delmarva
Costs. The term “day” used for computing the Delmarva Costs shall be deemed to refer to each
day on which Middletown usage is incorrectly attributed to Delmarva and not to each day on
which the Middletown Charge remains of Delmarva’s PJM Invoice. If the event causing the
Middletown 5.6 Default also causes one or more other municipalities who receive service from
the same LSE as Middletown to be in default under similar obligations under their
Interconnection and Mutual Operating Agreements with Delmarva, the Delmarva Costs payable
by Middletown under this Schedule shall be adjusted as follows:

\[
\text{Delmarva Costs payable by Middletown} = \$1000.00/\text{day} \times \frac{1}{\text{number of municipalities breaching their obligations as a result of the single event}}
\]
ATTACHMENT B

LIST OF RECIPIENTS

Town of Middletown
19 West Green Street
Middletown, DE 19709

President & CEO
DEMEC, Inc.
22 Artisan Drive
Smyrna, DE 19977

PJM Interconnection, L.L.C.
955 Jefferson Avenue
Valley Forge Corporate Center
Norristown, PA 19403-2497
Attention: General Counsel

Wright & Talisman, P.C.
1200 G Street, NW
Suite 600
Washington, D.C. 20005
Attention: Patrick L. Morand