

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Default Service Plan for Citizens' :
Electric Company of Lewisburg, PA and : Docket Nos.:
Wellsboro Electric Company for the Period :
of June 1, 2010 Through May 31, 2013 :

**JOINT DEFAULT SERVICE PROGRAM OF CITIZENS' ELECTRIC COMPANY OF
LEWISBURG, PA AND WELLSBORO ELECTRIC COMPANY**

Citizens' Electric Company of Lewisburg, PA ("Citizens") and Wellsboro Electric Company ("Wellsboro") (collectively, "the Companies") hereby submit to the Pennsylvania Public Utility Commission ("PUC" or "Commission") for approval their Second Joint Default Service Program ("DSP"), pursuant to the Electric Generation Customer Choice and Competition Act, 66 Pa. C.S. § 2801 et seq. ("Competition Act"), as amended by Act 129 of 2008 ("Act 129"), the Commission's Default Service Regulations, 52 Pa. Code §§ 54.181 – 54.189, and the Policy Statement on Default Service ("Policy Statement"), 52 Pa. Code §§ 69.1801 – 69.1817. In the instant filing, Citizens' and Wellsboro propose a continuation of the Commission-approved Stratified Procurement Plan (with minor modifications as discussed herein), which includes a portfolio of energy products (a mix of spot market, short-term, and one or more longer-term block products), to continue to meet their default service obligations. The Companies' believe that this approach remains consistent with the Competition Act, the Commission's Regulations, and is specifically in line with the intent of the recently passed Act 129.¹

¹ Act 129 specifically amends 66 Pa. C.S. § 2807(e)(3.2) to require that Electric Distribution Companies ("EDCs") include "a prudent mix of the following: (i) Spot market purchases. (ii) Short-term contracts. (iii) Long term contracts."

I. INTRODUCTION AND BACKGROUND

1. Citizens' and Wellsboro are two of the smallest jurisdictional EDCs in Pennsylvania. The majority of Citizens' stock and all of the Wellsboro stock is owned by a holding company, C&T Enterprises, Inc. ("C&T"). C&T is jointly owned by Tri-County Rural Electric Cooperative and Claverack Rural Electric Cooperative. Citizens' provides service to approximately 6,800 customers in Lewisburg and the surrounding area. The majority of Citizens' customers are residential customers (5,660 accounts), while Citizens' also serves 1,140 commercial, industrial and lighting accounts. Citizens' has a peak load of approximately 46 MW. Wellsboro is of similar size, serving a total of approximately 6,000 customers, 4,850 of which are residential, and 1,050 of which are commercial, industrial, resale or lighting. Wellsboro's peak load is approximately 25 MW.

2. The rate caps applicable under the Competition Act for the Wellsboro and Citizens' customers expired on January 2, 1999, and January 31, 2002, respectively. As a result, Wellsboro and Citizens' have been operating in the "post transition period" for a number of years. The abbreviated rate cap period was a result of the Companies' historic reliance on wholesale purchases to obtain the generation supply to serve customers, rather than owning generation facilities. Both before and after the rate unbundling accomplished in the Competition Act, the Companies obtained energy via a series of fixed-price, multi-year wholesale full requirements contracts.

3. On May 10, 2007, the Commission issued its Default Service Regulations and Policy Statement, which provide a comprehensive strategy for the provision of default electric service in the Commonwealth. The Commission expressed reservations about procuring all default generation supply for a given period at one point in time (as Citizens' and Wellsboro had

done in the past), and instead encouraged utilities to pursue portfolio energy procurement approaches.²

4. Accordingly, on June 1, 2007, the Companies submitted their most recent DSP, which proposed to implement a portfolio of energy products to include a mix of spot market, fixed-block, and other energy supply products to meet their default service obligations. Additionally, the Companies proposed the employment of a single Portfolio Manager to administer the joint procurement of default service supply for both entities. After discussions with interested entities regarding their qualifications and strategies to implement a portfolio procurement approach, the Companies ultimately chose ACES Power Marketing, LLC ("APM"), to design and implement the portfolio procurement approach.

5. On August 1, 2007, an evidentiary hearing was held pursuant to the established procedural schedule, at which time the Companies presented, in addition to their written testimony, oral rebuttal testimony that included the Stratified Procurement Plan, which was developed through consultation between the Companies, the Portfolio Manager, and the Office of Consumer Advocate ("OCA"). The Office of Small Business Advocate ("OSBA") presented oral surrebuttal testimony in response to the Stratified Procurement Plan and the Companies closed the evidentiary presentation with brief oral rejoinder testimony. On August 2, 2007, the Administrative Law Judge ("ALJ") issued an Order Certifying the Record to the Commission for its determination of this matter.

6. On October 3, 2007, the Commission issued its Opinion and Order, which approved, with modifications, the Stratified Procurement Plan advocated by the Companies, OCA, and Office of Trial Staff ("OTS").³

² See *Rulemaking Re Electric Distribution Companies' Obligation to Serve Retail Customers at the Conclusion of the Transition Period Pursuant to 66 Pa. C.S. § 2807(e)(2)*, Docket No. L-00040169, pp. 31-32 (Order entered May 10, 2007) ("Final Rulemaking Order").

7. Since January 1, 2008, Citizens' and Wellsboro have been operating the Commission approved DSP, referred to as the Stratified Procurement Plan.⁴ This DSP is scheduled to expire on May 31, 2010. Based on the Companies' experience, and for the reasons set forth below, Citizens' and Wellsboro propose to continue this approach, with the modifications set forth herein, for an additional three years, or from June 1, 2010 through May 31, 2013, with the continued assistance of APM.

8. Therefore, in accordance with the Commission's Regulations, and Act 129, the instant filing is made more than nine months in advance of the expiration of the Companies' current DSP, and consists of the Implementation Plan, Procurement Plan, Alternative Energy Portfolio Standards Act Plan, Congestion Management Plan, and Rate Design Plan for the Companies' Joint Default Service Program. Also included in the filing in explanation and support of the proposed DSP are the following appendices:

1. Draft tariff sheets for Generation Supply Service Rate ("GSSR") setting forth the automatic adjustment mechanism proposed by the Companies.
2. List of requirements under Final Rulemaking Order and Policy Statement, including identification of waivers potentially required to implement the proposed DSP.
3. The matrix percentages for procurements throughout the course of the Stratified Procurement Plan.
4. The matrix percentages for procurements of Alternative Energy Portfolio Standards Act credits.
5. The standard provisions of the Edison Electric Institute contract.
6. Citizens' customer notice sent to all customers via first-class mail.

³ See *Petition for a Joint Default Service Plan for Citizens' Electric Company of Lewisburg, Pennsylvania and Wellsboro Electric Company for the Period of January 1, 2008 through May 31, 2010*, Docket Nos. P-00072306 and P-00072307 (Order entered Oct. 3, 2007) ("Oct. 3 Order").

⁴ See generally Oct. 3 Order.

7. Wellsboro's customer notice sent to all customers via first-class mail.

II. JOINT DEFAULT SERVICE PROGRAM

A. *The Procurement and Implementation Plan*

9. Since January 1, 2008, Citizens' and Wellsboro have been operating a DSP, referred to as the Stratified Procurement Plan, that combines a variety of physical products, procured at varying times, into a single portfolio encompassing the entire default service needs for both Companies.⁵ As part of that plan, the Companies employ a single portfolio manager, APM, that was chosen based on both expertise and cost considerations to administer this energy procurement portfolio on their behalf. Based on the Companies' experience, and for the reasons set forth below, Citizens' and Wellsboro propose to continue this approach for an additional three years, or from June 1, 2010 through May 31, 2013, with the continued assistance of APM.

10. The Commission's Default Service Regulations require a DSP to "acquire electric generation supply at prevailing market prices for default service customers in a manner consistent with procurement and implementation plans approved by the Commission."⁶ The Commission has determined that "[a] proposed procurement plan should ... include a prudent mix of arrangements to minimize the risk of over-reliance on any energy products at a particular point in time."⁷ According to the Commission, DSPs should meet this policy goal through the consideration of a combination of "supply-side and demand-side resources such as long-term, short-term, staggered-term and spot market purchases to minimize the risk of contracting for

⁵ See generally Oct. 3 Order.

⁶ 52 Pa. Code § 54.186(a).

⁷ *Id.* at § 69.1805.

supply at times of peak prices."⁸ The Companies' current DSP has been meeting these policy goals since its implementation.

11. In addition, since the Commission's prior approval of Citizens' and Wellsboro's most recent DSP, the Pennsylvania Legislature has passed Act 129, which in part revised portions of the Competition Act. In pertinent part, Act 129 sets forth guidelines for the procurement of electricity by EDCs, requiring that a "prudent mix" of spot market, short-term contracts, and long-term contracts (between four years and twenty years) be procured.⁹ In addition, the EDCs must ensure that the "prudent mix" is designed to provide adequate and reliable service at the "least cost to customers over time."¹⁰ The Companies' Stratified Procurement Plan is fully consistent with the intent of Act 129.

12. Under the Stratified Procurement Plan, Citizens' and Wellsboro have been, and generally propose to continue to procure a portion of their required default energy supply for a given month of service over the four quarters preceding the given month of service. This approach involves the purchasing of an annual 7x24 (also referred to as around-the-clock) product or products of an aggregate total of 20-25 MW, with the anticipation that 20-25 MW will be in place from this product for each consumption period if credit and other conditions allow the Companies to purchase appropriate products.¹¹ The remainder of the Companies' combined monthly load requirement will be procured through 5 MW (or larger) 5x16 (also referred to as on-peak) products, also purchased during the preceding four quarters. The proposed procurement schedule for filling the portfolio is set forth in Appendix 3. Finally, any generation

⁸ *Id.*

⁹ *See* 66 Pa. C.S. § 2807(e)(3.2).

¹⁰ Per Act 129, costs incurred through an approved competitive procurement plan shall be deemed to be the least cost over time. *Id.* at (3.2)

¹¹ These annual products will be purchased on a PJM Interconnection, L.L.C. ("PJM"), planning year basis.

requirements beyond the annual 7x24 and monthly 5x16 procurements will be purchased on the PJM spot market at prevailing market rates.

13. Although the Companies generally agree to continue the current program, there are two changes that the Companies propose to implement. First, the Companies propose to add financially-settled products to the authorized transactions under the DSP. Second, the Companies propose an abbreviated process to add a multiple year product to the portfolio if market conditions during the term of the DSP indicate that such a purchase is prudent and reasonable. This process is explained in Paragraph 15 below.

14. Under the current DSP, the Companies are authorized to purchase physical blocks of power. To increase the number of potential counterparties for transactions, the Companies propose to include in the next DSP the ability to fill aspects of the portfolio through financial products such as call options and swaps. The addition of these types of products to the DSP is projected to reduce the Companies posted credit requirements and provide the Companies with additional tools to meet the goals of the DSP.

15. The Citizens' and Wellsboro DSP proposal also includes an abbreviated approval process to confirm the Companies' authorization to enter into multiple year product transactions in the event of favorable market conditions.¹² This could include products of two, three, four (or longer) years, including "long term" products as defined by Act 129.¹³ Specifically, the Companies seek a maximum 30-day process to receive Commission approval to enter into transactions for multiple year products, including both physical and financial transactions. The

¹² In March 2009, Citizens' and Wellsboro attempted to expeditiously gain Commission approval of a plan to secure a multi-year product based on what were considered clearly favorable market conditions, but were unable to do so because the OSBA requested a full evidentiary hearing on the proposal. Due to the likelihood of market changes during that formal evidentiary process that could render the request moot, the Companies elected to withdraw the request. The pre-approved process proposed in the DSP will address precisely this type of situation.

¹³ A long-term contract is defined as more than four years but less than twenty. *See* 66 Pa. C.S. § 2807(e)(3.2).

Companies will submit a filing with the Commission setting forth the proposed product or products, the size, and the anticipated price at which the transactions can be accomplished (in the form of not to exceed cap prices).¹⁴ The filing will also explain why the market conditions indicate that procurement is prudent and reasonable at the time, and the impact of the proposed transaction on the portfolio composition and schedule. Interested parties will be provided ten days to respond, with the Companies having the opportunity to reply five days later. The Commission will issue a decision within thirty days of submission. The triggering of this abbreviated approval process would not be considered an amendment to the plan. The Companies' believe that such flexibility will enhance the opportunities for success in an actively managed plan, while still providing the appropriate oversight by the Commission.

16. With the assistance of APM, the Companies currently have in place the necessary PJM interfaces, transaction tracking procedures, regulatory approvals and other implementation steps necessary to transact with a number of wholesale suppliers (also referred to as "counterparties") to purchase the wholesale electric supply and other products necessary for operation of this DSP. Given the familiarity of APM with the Companies' operations and needs, and the clear amount of expertise that APM possesses, the Companies propose to retain APM as the Portfolio Manager.

B. Alternative Energy Portfolio Standard Act ("AEPS") Plan

17. The Pennsylvania AEPS requires that all EDCs comply with the AEPS Act of 2004, as amended in 2007, through the procurement of certified Alternative Energy Credits ("AECs").¹⁵ For the period June 1, 2010, through May 31, 2013, the Companies will procure

¹⁴ The cap limit will serve as the appropriate price under which the transaction could occur.

¹⁵ "Alternative Energy Portfolio Standards Act," P.L. 1672, No. 213 (November 30, 2004), 73 P.S. §§ 1648.1 – 1648.8, amended by Act No. 35 of 2007 (July 17, 2007).

Tier 1 AECs, Tier 2 AECs and solar photovoltaic energy credits ("SPVAECs") to meet the requirements of the AEPS Act.

18. AECs for Tier 1 and Tier 2 will be purchased in blocks of approximately 5,000 MWh per transaction to meet the reporting year ("RP") requirements according to the procurement matrix attached as Appendix 4. The Companies have modeled the AEPS procurement plan after the stratified portfolio approach. Similar to the purchase of electricity, APM will regularly monitor AEC market prices and make multiple entry points into the market throughout each RP. Under current market conditions, the Companies do not recommend dividing transactions within the RP into blocks smaller than 5,000 MWh. Smaller quantity procurements would likely not provide as competitive prices as larger volume procurements would. Because the AEC market tends to exhibit a high degree of volatility during the true-up periods for Pennsylvania and New Jersey, the Companies anticipate that they will avoid large transactions during June, July, and August.¹⁶

19. SPVAECs will be procured when and if available to meet the Pennsylvania AEPS requirements. SPVAECs will be particularly difficult to acquire in the extremely small quantities required by the Companies, and therefore, these offers are not expected to be competitive with larger volume offers. In addition, the AEPS Act does not provide an established alternative compliance payment for SPVAECs that would operate as a cap on the bids. The Companies currently believe they will be able to secure a sufficient quantity of SPVAECs to meet the June 1, 2010, through May 31, 2013, requirements; however, the

¹⁶ The Companies and their affiliates (*i.e.*, Tri-County Rural Electric Cooperative and Claverack Rural Electric Cooperative) are located in rural areas of Pennsylvania. As a result, opportunities may exist to assist developers of AEPS projects by purchasing AECs and facilitating interconnection of the projects. The Companies reserve the opportunity to petition the Commission for modifications to this plan to address such opportunities.

Companies reserve the opportunity to seek a force majeure declaration if this assumption is proven to be incorrect.

20. As discussed in Section II.D, *infra*, the Companies propose to continue to recover the costs associated with AEPS compliance through the GSSR rider.¹⁷

C. Congestion Management Strategy

21. Citizens' and Wellsboro's previous Commission-approved DSP did not include a specific congestion management strategy.¹⁸ However, the Companies' contract with APM included ongoing advice on items such as congestion management. Historically, congestion in both the Citizens' and Wellsboro territories had remained consistent and was predictable. Given the events on the Wellsboro system in early 2008, the Companies began to participate in the PJM Annual Financial Transmission Rights ("FTRs") and Auction Revenue Rights ("ARRs") process, as well as monthly FTR auctions. As part of the DSP, Citizens' and Wellsboro hereby respectfully request Commission approval of the congestion management strategy they have developed in consultation with APM. A general description of the strategy is set forth below.

22. The first step in the congestion management strategy is participation in the PJM ARR Allocation. In the February prior to the PJM Planning Year ("PY"),¹⁹ APM provides each of the Companies with a report that includes projected allocations for the Annual PJM ARR Allocation. ARR allocations are entitlements allocated annually to firm transmission customers that entitle the holder to receive an allocation of the proceeds of the Annual FTR Auctions (discussed below). PJM determines the Annual ARR allocations for each Company based on the generating resources that historically were used to serve customers in the particular transmission zone

¹⁷ See *id.* § 69.1808(a)(4)-(6).

¹⁸ On August 7, 2008, Citizens' and Wellsboro filed a Joint Petition to Add Congestion Management Strategy to Default Service Procurement Plan with the Commission, but as of the date of this filing no action has been taken.

¹⁹ PJM's PY runs from June 1 through May 30.

(Pennsylvania Electric Company ("Penelec") for Wellsboro and PPL Electric Utilities Corporation ("PPL") for Citizens'). The objective of this report is to provide the Companies with a strategy to optimize the available pool of ARR.

23. In the 2008-2009 allocation, Citizens' was eligible to acquire up to a total of 38.6 MWs of ARRs on PJM-specified paths in the PPL Zone, while Wellsboro was eligible to acquire up to a total of 21.5 MWs of ARRs on specified paths in the Penelec Zone.²⁰

24. The ARR Allocation is a three-step process (Stage 1A, Stage 1B, and Stage 2), whereby eligible transmission customers and load serving entities ("LSEs") may nominate the desired number of MWs over their designated paths.

25. In Stage 1A, LSEs are permitted to nominate ARRs on specified paths up to historic base load MWs as determined by PJM. Under the APM strategy, the Companies' goal in Stage 1A is to nominate their full entitlements on the most valuable ARRs on the paths available, as well as to determine the ARRs that are most at risk for curtailment in the later stages.

26. The second stage, Stage 1B, permits LSEs to nominate on the same designated paths up to historic peak load levels. To determine which ARRs to nominate in Stage 1B, APM analyzes the remaining ARRs and recommends nomination of ARRs that have historically performed positively in the day-ahead energy market, FTR Auctions, and those that were modeled positively in APM's Locational Marginal Price ("LMP") model. For the 2008-2009 PY, Wellsboro nominated all of its ARRs in Stages 1A and 1B, while Citizens' only nominated 2.2 MWs in these rounds.

27. Unlike Stages 1A and 1B, Stage 2 is a three-step iterative approach that allows an LSE to nominate ARRs at a variety of different source points, not just those originally allocated

²⁰ Unfortunately, due to the reliance on historic generation data for the entire zone, the paths awarded during the ARR Allocation do not correlate with the paths utilized by the Companies.

to them by PJM based on the historic generation data. The LSE's total requested MWs cannot exceed its share of the zonal peak, and in each of the three rounds is limited to 1/3 of the peak load not allocated in Stages 1A or 1B. Because the list of potential ARR is no longer defined, Stage 2 nominations are more complex. APM provides the Companies with a detailed analysis of the various sources (Hubs, Zones, Interfaces, and Generator Nodes). Upon completion of the Stage 1A and 1B nominations, APM provides the Companies with a recommended list of Stage 2 nominations. The APM strategy is confidential and cannot be disclosed in this public filing because it may cause other parties to engage in Stage 2 strategies that undermine the effectiveness of the Companies' Stage 2 strategy. In 2008, neither Wellsboro nor Citizens' nominated in the Stage 2 Auction. This may change from year to year depending on the analysis of the paths and the results of the Stage 1 Allocations.

28. The next step in Citizens' and Wellsboro's congestion management strategy is to set up the FTR portfolio to hedge the Companies' congestion exposure. FTRs are financial instruments awarded to bidders in the FTR Auction that entitle the holder to a stream of revenue based on the hourly day-ahead congestion price differences on the various transmission paths. PJM conducts Annual, Monthly and Seasonal FTR Auctions.

29. At this stage, the first decision for the Companies is whether to take the ARR revenue from the MWs received in the ARR Allocation, or to self-schedule the ARRs and convert them into FTRs to serve as a hedge for day-ahead congestion risk. In order to assist the Companies, APM analyzes each of the individual ARR paths that are received to determine how closely correlated those paths are to the ones used by the Companies from the PJM Western Hub to their aggregate buses. If the ARRs are closely correlated, the Companies could convert the ARRs and self-schedule FTRs on those paths. If the ARRs are not closely correlated, however,

which they were not in 2008 (and given the historic generation data used to allocate the ARR's likely may not be in the future), the Companies will use the ARR revenue to offset the cost of their bids in the FTR Auctions in order to hedge against congestion on the desired path.

30. The annual auction consists of four rounds with 25% of the total feasibility of the transmission system available in each round. In order for Citizens' and Wellsboro to effectively participate in the auctions APM utilizes a proprietary model to project appropriate bid prices for each round. Because the annual FTRs apply year-round, Citizens' and Wellsboro attempt to secure FTRs up to the monthly average peak for the year (both on-peak and off-peak or "wrap").

31. After the annual process, the Companies will participate, as necessary, in the monthly auctions to the extent their maximum needs were not filled because the Companies' bids did not clear in the annual FTR process or additional FTRs were needed. Under the plan, the Companies attempt to hedge the congestion risk from the PJM Western Hub to Citizens'/Wellsboro Aggregate Bus up to their monthly projected average on-peak and wrap (off-peak) demand levels.

32. At this time, the Companies propose to participate only in the annual and monthly FTR processes; the Companies do not propose to participate in the seasonal or long-term FTR processes.

33. The cost that the Companies pay for annual or monthly FTRs are included in the GSSR as a reasonable cost of providing default service. The revenues from FTRs and ARR's are credited to ratepayers through the GSSR.

D. Rate Design Plan

34. The Commission's Regulations and Policy Statement establish requirements regarding the design and structure of default service rates.²¹ In accordance with those requirements, the Companies propose to maintain the current GSSR riders, with language modifications to add the financial products to the explanation of recoverable costs. The GSSR is a fixed, single rate for all customer classes that, due to the inclusion of transmission costs, will serve as the Price to Compare ("PTC") for all customers once it is adjusted for taxes.²² The GSSR will be calculated quarterly by first dividing the Companies' total projected quarterly retail default service sales (kWh) into the difference of the total direct and indirect generation supply procurement costs and the net overcollections or undercollections for the three-month period occurring immediately prior to the calculation month.²³ The result of this calculation will then be multiplied by a factor representing the Pennsylvania gross receipts tax rate in effect for the period. The final quarterly GSSR will apply to each kWh of generation service billed to default customers in the next billing quarter.

35. Pursuant to 66 Pa. C.S. § 1307, the GSSR will recover through an automatic adjustment mechanism all bidding, contracting, risk management, scheduling and forecasting costs, as well as other costs associated with employing the portfolio manager, that are required to procure default service supply.²⁴ In this manner, the Companies will also recover all

²¹ See 52 Pa. Code §§ 54.187, 54.188 and 69.1808-69.1811.

²² See 52 Pa. Code § 69.187(a).

²³ Interest on over- and undercollections will be computed each month at the rate provided for in 66 Pa. C.S. § 1308(d) and the regulations.

²⁴ See *id.* § 69.1808(a)(3).

administrative costs, applicable taxes, and costs associated with the Companies' AEPS compliance.²⁵

36. Citizens' and Wellsboro propose to continue to adjust the GSSR quarterly.²⁶ This adjustment will account for any over- or underrecoveries experienced by the Companies during the course of the previous quarter "in order to ensure the recovery of costs reasonably incurred in acquiring electricity at prevailing market prices and to reflect the seasonal cost of electricity."²⁷ In the event that the Companies experience monthly revenues that diverge from current costs and accumulate over- or underrecoveries by more than 4% since the last quarterly adjustment, they will propose an interim adjustment to resolve those undercollections or overcollections before the next scheduled quarterly adjustment.²⁸

37. Citizens' and Wellsboro also propose the continuation of the Commission-adopted review process of the GSSR (*i.e.*, processing by the Bureau of Audits for each periodic rate change).²⁹

E. Additional Issues

38. The Commission Regulations and Policy Statement set forth various additional requirements for default service programs. Attached as Appendix 2 is a list of the various provisions in the Regulations and Policy Statement and an explanation of how the Joint Default Service Program fulfills each. Appendix 2 also identifies the specific provisions for which

²⁵ See *id.* § 69.1808(a)(4)-(6).

²⁶ The Commission's Regulations require monthly adjustments, at a minimum, "for all customer classes with a registered peak load of equal to or greater than 500KW." See 52 Pa. Code §§ 54.187(j) and 69.1809(a). At this point, considering the small number of customers that meet this 500kW level and the single rate nature of the GSSR, the Companies believe that this requirement will create undue and impractical administrative and operational burdens. Therefore, consistent with the Companies' need for a waiver of the general requirement for procurement by customer class, Wellsboro and Citizens' likewise require a waiver of this monthly reconciliation requirement.

²⁷ 52 Pa. Code §§ 54.187(h) and (i). See also *id.* § 69.1809(a).

²⁸ See 52 Pa. Code § 69.1809(c).

²⁹ See 52 Pa. Code §§ 54.187(f), 54.188(e)(3) and (4), and 54.188(f); see also Oct. 3 Order, pp. 21-22.

waivers may be necessary. Finally, attached are the notices that will be sent to all customers announcing the filing of the DSP.

39. In addition, the Companies respond to the additional requirements in Section 54.185 as follows:

1. Documentation that the Program is consistent with PJM requirements

40. Wellsboro and Citizens' are full PJM members and will continue to function as the LSEs for the transactions necessary under the portfolio approach. Wellsboro and Citizens' will continue to work with PJM to address any technical and credit issues that may be raised by the portfolio approach.

2. Contingency Plans if Wholesale Suppliers Fail to Deliver

41. Unlike a full requirements load following contract, contingency planning for delivery failures in a portfolio approach is inherently more manageable. Specifically, if the provider of a physical product fails to deliver, the portfolio manager will engage in the appropriate reconciliations with PJM to account for the energy that Citizens' and/or Wellsboro obtained on the particular day from the real-time market. If that cost is higher than what would have been paid under the contract, the wholesale supplier would then be required to compensate Citizens' and/or Wellsboro for damages under the contract. To the extent the delivery failure is extended, the portfolio manager will assist Citizens' and Wellsboro in securing replacement products

42. The Companies utilize the industry standard Edison Electric Institute ("EEI") and/or International Swaps and Derivatives Association ("ISDA") contracts for transactions under the portfolio, with changes to those documents negotiated with each potential trading

partner. The standard provisions of the EEI contract related to damages for failure to deliver are attached as Appendix 5 hereto.³⁰ The standard ISDA contract includes similar provisions.

43. In the event of a failure to perform, Citizens' and Wellsboro will exercise their rights under the applicable contract to obtain similar replacement product(s) in a commercially reasonable manner. The Companies will adjust the GSSR to reflect the price of the replacement product if the replacement product is priced sufficiently different than the defaulted contract, resulting in an over- or undercollection of more than 4% since the last quarterly adjustment. In this event, the Companies will pursue the available remedies under the contract to collect early termination damages from the supplier and will reflect any such early termination compensation as a credit against Purchase Power Costs in the quarter that it is paid to the supplier. Any termination payment due to the supplier under standard wholesale contractual provisions will be treated as a Purchase Power Cost in the quarter that it is paid to the supplier.

3. Copies of Agreements or Forms

44. Due to the nature of the Stratified Procurement Plan, the Companies enter into agreements with multiple trading partners based on the industry standard EEI and ISDA formats, with certain changes mutually negotiated between the parties. Based on the experience under the current DSP and of the Companies' sister-affiliate in negotiating natural gas agreements to pursue a similar portfolio procurement approach, each such trading partner will have its own standard provisions implementing preferred changes to the ISDA and EEI agreements. Because the Commission has yet to develop standardized wholesale supplier master agreements and other

³⁰The entire agreement is available at http://www.eei.org/industry_issues/legal_and_business_practices/master_contract.

documents, the Companies recommend that they be granted the continued flexibility to negotiate a mutually acceptable agreement with each potential trading partner.

4. Generation Contracts With Customers Greater than Two Years

45. Neither Company has a contract with a customer for generation service that is longer than two years.

III. CONCLUSION

Citizens' and Wellsboro propose to continue the Stratified Procurement Plan to ensure their ratepayers receive the available benefits of electric industry restructuring through implementation of innovative physical and financial market products as part of an actively managed portfolio approach. The Companies request the Commission's authorization to do so through approval of this Second Joint Default Service Program.

WHEREFORE, Citizens' Electric Company of Lewisburg, PA and Wellsboro Electric Company respectfully request that the Commission:

1. Approve the Joint Default Service Program as presented; and,
2. Approve all necessary waivers of the Commission's Regulations to the extent that the Commission finds the Companies' Second Joint Default Service Program to be inconsistent with its Final Policy Statement or Default Service Regulations.

Respectfully submitted,
MCNEES WALLACE & NURICK LLC

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Dated: May 29, 2009

APPENDIX 1

Supplement No. XX
to
Electric-Pa. P.U.C. No. 14

CITIZENS' ELECTRIC COMPANY OF LEWISBURG

RULES AND REGULATIONS AND RATE SCHEDULES FOR ELECTRIC SERVICE

IN

**LEWISBURG BOROUGH; BUFFALO, EAST BUFFALO AND KELLY
TOWNSHIPS, UNION COUNTY; AND WEST CHILLISQUAQUE
TOWNSHIP, NORTHUMBERLAND COUNTY, PENNSYLVANIA**

Issued XXXXXXXXXXXX

Effective June 1, 2010

Issued by
ERIC WINSLOW, PRESIDENT
1775 Industrial Boulevard
Lewisburg, PA 17837

N O T I C E !

**THIS SUPPLEMENT MAKES $\{\{\}$ CHANGES $\}\}$ TO EXISTING RATES,
RULES AND REGULATIONS
See Page No. 2**

CITIZENS' ELECTRIC COMPANY OF LEWISBURG

Supplement No. XX to
Electric-Pa. P.U.C. No. 14
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Cancelling
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LIST OF CHANGES MADE IN THIS SUPPLEMENT

Pages 38 and 39

Supplement No. XX to Tariff Electric Pa. P.U.C. No. 14 is filed to reflect changes to the Company's Generation Supply Service Rate ("GSSR") Rider.

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GENERATION SUPPLY SERVICE RATE ("GSSR") RIDER

For customers purchasing generation supply from the Company's Default Service, a Generation Supply Service Rate ("GSSR") shall be applied to each kilowatt hour supplied. Generation supply consists of the products included in Purchase Power Costs as defined below.

The GSSR shall be calculated for each computation quarter to the nearest one thousandths of one cent per kilowatt hour in accordance with the formula set forth below. The GSSR shall be applied on services rendered.

Formula:
$$GSSR = \left[\frac{F + A}{S} \right] \times \left[\frac{1}{1 - T} \right]$$

F = The total estimated direct and indirect Purchased Power Costs incurred by the Company to acquire generation supply from any source on behalf of Default Service customers. Purchase Power Costs include costs of: wholesale energy; capacity; transmission; ancillary services; congestion; losses; financial transactions for energy, capacity, financial transmission rights or other products; applicable RTO or ISO administrative activities; supply management, including supply bidding, contracting, hedging, risk management, and any scheduling and forecasting services provided exclusively for default service; administration related to Default Service, including education, regulatory, litigation, tariff filings, working capital and information system costs; and alternative energy portfolio standard compliance. (C)

E = Experienced net overcollections or undercollections of the Purchased Power Costs (F) as of the end of the computation quarter including interest. Interest shall be computed monthly at the appropriate rate as provided in Section 1308(d) of the Public Utility Code and applicable PUC regulations for the month the over or undercollection occurs to the effective month such overcollection is refunded and such undercollection is recouped. (C)

S = The Company's projected total kilowatt hour Default Service sales to customers during the computation quarter.

T = The Pennsylvania Gross Receipts Tax rate in effect during the billing month expressed in decimal form.

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GSSR RIDER (cont'd)

The GSSR shall be filed with the Commission by the beginning of the month prior to each calendar quarter. The F-factor rate shall become effective for Default Service bills issued on and after the calendar quarter unless otherwise ordered by the Commission, and shall remain in effect for a period of one quarter, unless revised on an interim basis subject to the approval of the Commission. Upon determination that the GSSR, if left unchanged, would result in a material over or undercollection of Purchased Power Costs incurred or expected to be incurred during the current 3-month period ending one month prior to the computation quarter, the Company may file with the Commission for an interim revision of the GSSR to become effective 30 days from the date of filing, unless otherwise ordered by the Commission.

The Company will file with the Commission by the beginning of the month prior to each calendar quarter, a quarterly reconciliation of the GSSR revenue recovery during the immediately preceding application period pursuant to 66 Pa. C.S. § 1307. The E-factor reconciliation shall become effective for bills issued on and after the calendar quarter and shall remain in effect for a period of one quarter, or until new GSSR rates are approved by the Commission. The reconciliation will be the difference between GSSR revenue produced by actual usage and GSSR revenue estimated on the basis of projected usage for that previous application period.

Minimum bills shall not be reduced by the reason of the GSSR, nor shall GSSR charges be a part of the monthly rate schedule minimum.

Application of the GSSR shall be subject to continuous review and audit by the Commission at intervals it shall determine. The Commission shall review the reasonableness and lawfulness of the level of charges produced by the GSSR and the costs included therein.

If from such audit it shall be determined, by final order entered after notice and hearing, that this clause has been erroneously or improperly utilized, the Company will rectify such error or impropriety, and in accordance with the terms of the order, apply adjustments against future GSSRs for such revenues as shall have been erroneously or improperly collected. The Commission's order shall be subject to the right to appeal.

WELLSBORO ELECTRIC COMPANY

General Tariff of
Rates, Rules and Regulations Governing
the Provision of Electric Service
in
The Borough of Wellsboro
and the Townships of Charleston,
Delmar and Middlebury, Tioga County, Commonwealth of Pennsylvania

Issued XXXXXXXXXXXX

Effective June 1, 2010

Issued by: Craig Eccher, President and Chief Executive Officer
Wellsboro Electric Company
33 Austin Street
Wellsboro, PA 16901

NOTICE

**THIS TARIFF MAKES ~~CHANGES~~ IN EXISTING RATES,
RULES AND REGULATIONS
See Page 2**

LIST OF CHANGES

Pages 49 and 50:

Supplement No. XX to Tariff Electric Pa. P.U.C. No. 8 is filed to reflect changes to the Company's Generation Supply Service Rate ("GSSR") Rider.

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RIDER C – GENERATION SUPPLY SERVICE RATE ("GSSR")

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(C) Indicates Change

RIDER C – GENERATION SUPPLY SERVICE RATE ("GSSR") (cont'd)

The GSSR shall be filed with the Commission by the beginning of the month prior to each calendar quarter. The F-factor rate shall become effective for Default Service bills issued on and after the calendar quarter unless otherwise ordered by the Commission, and shall remain in effect for a period of one quarter, unless revised on an interim basis subject to the approval of the Commission. Upon determination that the GSSR, if left unchanged, would result in a material over or undercollection of Purchased Power Costs incurred or expected to be incurred during the current 3-month period ending one month prior to the computation quarter, the Company may file with the Commission for an interim revision of the GSSR to become effective 30 days from the date of filing, unless otherwise ordered by the Commission.

The Company will file with the Commission by the beginning of the month prior to each calendar quarter, a quarterly reconciliation of the GSSR revenue recovery during the immediately preceding application period pursuant to 66 Pa. C.S. § 1307. The E-factor reconciliation shall become effective for bills issued on and after the calendar quarter and shall remain in effect for a period of one quarter, or until new GSSR rates are approved by the Commission. The reconciliation will be the difference between GSSR revenue produced by actual usage and GSSR revenue estimated on the basis of projected usage for that previous application period.

Minimum bills shall not be reduced by the reason of the GSSR, nor shall GSSR charges be a part of the monthly rate schedule minimum.

Application of the GSSR shall be subject to continuous review and audit by the Commission at intervals it shall determine. The Commission shall review the reasonableness and lawfulness of the level of charges produced by the GSSR and the costs included therein.

If from such audit it shall be determined, by final order entered after notice and hearing, that this clause has been erroneously or improperly utilized, the Company will rectify such error or impropriety, and in accordance with the terms of the order, apply adjustments against future GSSRs for such revenues as shall have been erroneously or improperly collected. The Commission's order shall be subject to the right to appeal.

(X) Indicates XX

APPENDIX 2

COMPLIANCE WITH REGULATIONS AND POLICY STATEMENT

Regulation	Joint Default Service Plan	Waiver Needed
<p>§54.183: The DSP shall be the incumbent EDC in each service territory, except as provided under subsection (b).</p>	<p>Citizens' and Wellsboro retain DSP function.</p>	<p>No</p>
<p>§54.184(a): The DSP shall be responsible for the reliable provision of default service to all retail customers who are not receiving generation services from an alternative EGS or whose EGS has failed to deliver electric energy.</p>	<p>Citizens' and Wellsboro will continue to assume this responsibility.</p>	<p>No</p>
<p>§54.184(b): The DSP shall comply with the Public Utility Code to the extent those obligations are not modified by the regulations or waived.</p>	<p>Citizens' and Wellsboro assume this responsibility, subject to confirmation of the waivers that the PUC deems necessary to accommodate the Joint Default Service Program set forth in this filing.</p>	<p>No</p>
<p>§54.184(c): The DSP shall continue the universal service and energy conservation programs in effect in the EDC's territory.</p>	<p>The Joint Default Service Program makes no changes to the universal service and energy conservation programs available in the Citizens' or Wellsboro territories.</p>	<p>No</p>
<p>§54.185(a): The DSP shall file a default service program with the Commission no later than 12 months prior to the conclusion of the currently effective default service program, unless the Commission authorizes another filing date. Thereafter, the DSP shall file its programs consistent with a schedule identified by the Commission.</p>	<p>The Companies' current default service programs are set to expire on May 31, 2010, the Companies submit the instant filing more than 12 months in advance of that date.</p>	<p>No</p>

<p>§54.185(b): Default service programs must comply with the Commission's regulations applicable to documentary filings. The DSP shall serve the default service program on the OCA, OSBA, OTS, EGSs registered in its service territory, and the RTO in whose control area the DSP is operating. Copies shall be provided upon request to other EGSs and shall be available on the DSP's website.</p>	<p>The Joint Default Service Program adheres to the Commission's filing requirements. The Program has been served as required on OCA, OSBA, OTS and PJM Interconnection, L.L.C. No EGSs are currently providing service in either territory. The Program will be posted on the Citizens' and Wellsboro websites.</p>	<p>No</p>
<p>§54.185(d)(1): The default service program shall include a Procurement Plan identifying the DSP's electric generation supply acquisition strategy for the period of service, including the means of satisfying the minimum portfolio requirements of the AEPS Act.</p>	<p>The Joint Default Service Program proposes to continue the Companies' current supply acquisition strategy for the new period of service, including the means of satisfying the minimum portfolio requirements of the AEPS Act.</p>	<p>No</p>
<p>§54.185(d)(2): The default service program shall include an implementation plan identifying the schedules and technical requirements of competitive bid solicitation and spot market energy purchases.</p>	<p>The general schedules for any competitive bid solicitations and spot market purchases that may be required under the plan is set forth in a matrix of percentages.</p>	<p>Yes—This requirement should be waived and/or modified consistent with the portfolio manager approach proposed by the Companies, which is being continued to address their unique technical issues related to the pursuit of multiple, tranche-based competitive procurements as contemplated for larger DSPs under the regulations.</p>

<p>§54.185(d)(3): The default service program shall include a rate design plan recovering all reasonable costs of default service, including a schedule of rates, rules, and conditions of default service in the form of proposed revisions to its tariff.</p>	<p>The Joint Default Service Program includes the proposed Rate Design Plan as well as the accompanying revised tariff sheets.</p>	<p>No</p>
<p>§54.185(d)(4): The default service program shall include documentation that the program is consistent with PJM's legal and technical requirements pertaining to the generation, sale and transmission of electricity.</p>	<p>As confirmed by the Joint Default Service Program, Citizens' and Wellsboro are PJM members and will coordinate with PJM to ensure that all technical and credit requirements continue to be met. The Companies will also evaluate the PJM compliance issues in their evaluation of entities that submit bids to be the portfolio manager. The end date for the Joint Default Service Program (i.e., May 31, 2013) was selected to comply with the PJM planning year.</p>	<p>No</p>

<p>§54.185(d)(5): The default service program shall include contingency plans to ensure the reliable provision of default service when a wholesale generation supplier fails to meet its contractual obligations.</p>	<p>The contingency plan is set forth in Section II.E.2 of the Joint Default Service Program. The Companies anticipate relying on PJM spot market purchases until a replacement supplier is found. Any difference between the contract price and the replacement cost (including the spot purchases) will be claimed as damages against the defaulting supplier. If the Companies are able to obtain the replacement contract at a lower cost than the defaulted contract, then the Companies may be liable for damages to the defaulting supplier (potentially offset by the spot market purchases while seeking the replacement contract).</p>	<p>No</p>
<p>§54.185(d)(6): The default service program shall include copies of agreements or forms to be used in the procurement of electric generation supply for default service customers; including all documents used as part of the implementation plan, including supplier master agreements, RFP documents, credit documents, and confidentiality agreements. When applicable, the DSP shall use standardized forms and agreements that have been approved by the Commission.</p>	<p>The Companies will use standard EEI and ISDA agreements for the transactions under the portfolio, with appropriate changes negotiated with the specific entity that provides the particular physical or financial product.</p>	<p>Yes—To reduce the regulatory burden and facilitate pursuit of the portfolio approach consistent with the technical limitations of the Companies, a waiver of the requirement to submit additional standard agreements and/or to use the Commission's yet-to-be developed standardized forms and agreements is requested.</p>

<p>§54.185(d)(7): The default service program shall include a schedule identifying generation contracts of greater than 2 years in effect between the DSP, when it is the incumbent EDC, and retail customers in that service territory. The schedule should identify the load size and end date of the contracts.</p>	<p>Neither Company has contracts of this nature.</p>	<p>No</p>
<p>§54.185(e): After notice and hearing, the Commission may require some DSPs to file joint default service programs. In the absence of this direction, DSPs may file joint default service programs.</p>	<p>Consistent with this provision, Citizens' and Wellsboro elected to once again file a joint program. The Joint Default Service Program is consistent with Section 54.186, as modified by the requested waivers.</p>	<p>No</p>
<p>§54.185(f): DSPs shall include requests for waivers from provisions of this chapter in the default service program filings. The Commission will grant waivers to the extent necessary to reduce the regulatory, financial or technical burden on DSPs with fewer than 50,000, or to the extent that is otherwise in the public interest.</p>	<p>Citizens' and Wellsboro have requested various waivers as necessary to reduce the regulatory, financial or technical burden on the Companies as small DSPs and to the extent otherwise in the public interest.</p>	<p>N/A</p>
<p>§54.186(a): DSPs shall acquire electric generation supply at prevailing market prices for default service customers in a manner consistent with procurement and implementation plans approved by the Commission.</p>	<p>The Companies have proposed to continue the portfolio approach, which is best suited to their respective territories and incorporate a combination of purchases at prevailing market prices.</p>	<p>No</p>

<p>§54.186(b)(1): A default service plan must be designed to acquire electric generation supply at prevailing market prices to meet the DSP's anticipated default service obligation at reasonable costs.</p>	<p>The Companies anticipate that the portfolio approach, administered by a APM, will incorporate a number of physical and financial electric products procured at prevailing market prices, potentially including fixed and spot market purchases, options, swaps, calls and/or collars to establish market-based vertical price limitations.</p>	<p>No</p>
<p>§54.186(b)(2): DSPs with loads of 50 MW or less shall evaluate the costs and benefits of joining with other DSPs or affiliates in contracting for electric supply.</p>	<p>Citizens' and Wellsboro elected to file a Joint Default Service Program.</p>	<p>No</p>
<p>§54.186(b)(3): Procurement plans may include solicitations and contracts whose duration extends beyond the program period.</p>	<p>The Companies' Procurement Plan includes a request to enter into a "long term" contract as defined in Act 129, which would extend beyond May 31, 2013, and would therefore be consistent with this section of the Commission's regulations.</p>	<p>No</p>
<p>§54.186(b)(4): Electric generation supply shall be acquired by competitive bid solicitation processes, spot market energy purchases, or a combination of both.</p>	<p>The Companies' have proposed to continue the use of a portfolio approach that uses a combination of fixed block and spot market purchases. The Procurement Plan provides additional detail regarding this aspect of the Commission's regulations.</p>	<p>No</p>
<p>§54.186(b)(5): A DSP's affiliate may participate in any competitive bid solicitation process subject to various conditions.</p>	<p>Citizens' and Wellsboro do not have affiliates that can or will participate in the energy procurement process.</p>	<p>No</p>

<p>§54.186(c)(1): A DSP's implementation plan will include a competitive bid solicitation process that provides, to the extent possible and at the appropriate time, the bidding schedule, definitions and descriptions of products, bid price formats, time period for supply, bid instructions and format, price-determinative bid evaluation criteria, and current load data.</p>	<p>The Companies' have proposed to continue the use of a portfolio approach that uses a combination of fixed block and spot market purchases. The Procurement Plan provides additional detail regarding this aspect of the Commission's regulations.</p>	<p>No</p>
<p>§54.186(c)(2): The default service implementation plan shall include fair and non-discriminatory bidder qualification requirements, including financial and operational qualifications, or other reasonable assurances of a supplier's ability to perform.</p>	<p>The Companies' have proposed to continue the use of a portfolio approach that uses a combination of fixed block and spot market purchases. The Companies independently evaluate potential suppliers who are interested in contracting for financial and operational qualification, as well as ability to perform, in accordance with policies adopted by the Power Supply Committee that was formed by the Citizens' and Wellsboro Boards. Because this evaluation is highly dependent on credit market conditions that can change and would necessitate change to the PSC policies, the Companies do not propose for the PUC to approve specific qualifications in this DSP.</p>	<p>Yes</p>

<p>§54.186(c)(3): A competitive bid solicitation process used as part of the implementation plan shall be subject to monitoring by the Commission or an independent third party evaluator.</p>	<p>The Companies' have proposed to continue the use of a portfolio approach that uses a combination of fixed block and spot market purchases. The Companies also propose to continue the submission of quarterly transaction reports to the PUC as a method for the Commission to monitor the solicitation process.</p>	<p>No</p>
<p>§54.186(c)(4): The DSP or third party evaluator shall review and select winning bids procured through a competitive bid solicitation process in a non-discriminatory manner based on the price determinative bid evaluation criteria.</p>	<p>The Companies' have proposed to continue the use of a portfolio approach that uses a combination of fixed block and spot market purchases. Unless credit or fitness concerns exist, bids are awarded based on price.</p>	<p>No</p>
<p>§54.187(a): The costs incurred for providing default service shall be recovered through a default service rate schedule, based on the average cost to acquire supply for each customer class.</p>	<p>Citizen's and Wellsboro have established a single GSSR default service rate that recovers all reasonable costs associated with bidding, contracting, risk management, scheduling and forecasting costs, employing a portfolio managers, as well as administrative and AEPS compliance costs, and applicable taxes.</p>	<p>Yes—The Companies request a waiver of this provision to the extent that Citizens' and Wellsboro, as small DSPs with fewer than 50,000 retail customers, will not be separating the GSSR by customer class due to excessive technical and financial burdens.</p>
<p>§54.187(b): Except for rates available consistent with the automatic adjustment clause, DSPs will offer a single rate option, identified as the PTC, for all default customers</p>	<p>The Companies have established a single default service rate that, due to its inclusion of transmission costs, also represents the PTC.</p>	<p>Yes— Due to the financial and technical burdens that the Companies would encounter through the requirement for separate customer class treatment, Citizens' and Wellsboro request a waiver only to the extent that they will not have a PTC independent of its single default service rate.</p>

<p>§54.187(c): The rates charged for default service may not decline with the increase in KWh of electricity used by a default service customer in a billing period.</p>	<p>The GSSR will contain no "declining blocks."</p>	<p>No</p>
<p>§54.187(d): The PTC shall be designed to recover all default service costs, including generation, transmission, and other default service cost elements, incurred in serving the average member of a customer class. Costs recovered through the distribution rate that are reallocated to the default service rate cannot be recovered through the distribution rate, and the distribution rate must be decreased to reflect this reallocation.</p>	<p>Citizens' and Wellsboro have established a single default service rate that includes generation, transmission, and other cost elements. This rate will also represent the PTC, and will not include any costs attributable to the distribution rate.</p>	<p>No</p>
<p>§54.187(e): A DSP shall use an automatic energy adjustment clause to recover all reasonable costs incurred through AEPS compliance, subject to audit and annual review.</p>	<p>The GSSR will continue to be adjusted quarterly through a Section 1307 mechanism that will include reasonable costs associated with AEPS compliance.</p>	<p>No</p>
<p>§54.187(f): A DSP may use an automatic energy adjustment clause to recover reasonable non-alternative energy default service costs, and may collect interest from retail customers on the recoveries of under collection at the legal rate of interest. Refunds for over collection will be made at the legal rate of interest plus 2 percent.</p>	<p>The GSSR will continue to be adjusted quarterly through a Section 1307 mechanism that will recover all reasonable non-AEPS costs. The automatic adjustment will reconcile any over- and underrecoveries experienced during the course of the previous quarter, and will comply with all interest requirements.</p>	<p>No</p>

<p>§54.187(g): The default service rate schedule shall include rates that correspond to demand side response and demand side management programs when mandated by the Commission.</p>	<p>When mandated by the Commission, the Companies will adjust the GSSR accordingly to reflect these initiatives or seek appropriate waivers.</p>	<p>No</p>
<p>§54.187(h): Default service rates shall be adjusted on a quarterly basis, or more frequently, for all customer classes with a maximum registered peak load up to 25 KW. The DSP may propose alternative divisions of customers by registered peak load to preserve existing customer classes.</p>	<p>The Companies will adjust the single default service rate for all customers on a quarterly basis, and will conduct more frequent adjustments if projected revenues exceed projected costs by 4 percent or more.</p>	<p>No</p>
<p>§54.187(i): Default service rates shall be adjusted on a quarterly basis, or more frequently, for all customer classes with a maximum registered peak load of 25 KW to 500KW. The DSP may propose alternative divisions of customers by registered peak load to preserve existing customer classes.</p>	<p>The Companies will adjust the single default service rate for all customers on a quarterly basis, and will conduct more frequent adjustments if projected revenues exceed projected costs by 4 percent or more.</p>	<p>No</p>
<p>§54.187(j): Default service rates shall be adjusted on a monthly basis, or more frequently, for all customer classes with a maximum registered peak load of 500KW or greater. The DSP may propose alternative divisions of customers by registered peak load to preserve existing customer classes.</p>	<p>The Companies will adjust the single default service rate for all customers on a quarterly basis, and will conduct more frequent adjustments if projected revenues exceed projected costs by 4 percent or more.</p>	<p>Yes—This provision requires a waiver to the extent that the Companies' will not be dividing its retail customers by class, but will be preserving their current single customer classification with a quarterly adjustment.</p>

<p>§54.187(k): The DSP shall be responsible for acquiring replacement electric generation supply consistent with its contingency plan when a supplier fails to deliver. When necessary to procure electric generation supply before the implementation of a contingency plan, the DSP shall acquire supply at prevailing market prices and shall fully recover all reasonable costs associated with this activity that are not otherwise recovered through its contract terms with the default supplier.</p>	<p>The contingency plan is set forth in Section II.E.2 of the Joint Default Service Program. The Companies anticipate relying on PJM spot market purchases until a replacement supplier is found. Any difference between the contract price and the replacement cost (including the spot purchases) will be claimed as damages against the defaulting supplier. If the Companies are able to obtain the replacement contract at a lower cost than the defaulted contract, then the Companies may be liable for damages to the defaulting supplier (potentially offset by the spot market purchases while seeking the replacement contract).</p>	<p>No</p>
<p>§54.188(c): Upon entry of the Commission's Final Order, the DSP shall acquire generation supply for the period of service in a manner consistent with the terms of the approved procurement and implementation plans and Commission regulations.</p>	<p>The Companies have elected to continue to use APM to administer the portfolio and to procure all generation supply in accordance with the final Commission-approved implementation and procurement plans.</p>	<p>No</p>
<p>§54.188(e)(1): The DSP shall provide all customers notice of the filing of the default service program.</p>	<p>The Companies are providing notice of the default service program filing to all customers via first-class mail.</p>	<p>No</p>

<p>§54.188(e)(2): The DSP shall provide all customers notice of the initial default service rates and terms and conditions of service 60 days before their effective date, or 30 days after bidding has concluded, whichever is sooner, unless another time is approved by the Commission. The DSP will provide written notice to the OCA, OSBA, OTS, and PJM.</p>	<p>The Companies propose to continue the quarterly GSSR rate changes on January 1, April 1, July 1, and October 1 of each year. The GSSR reflecting the projected costs for the first month of the next plan (<i>i.e.</i>, June 2010), will be filed with the Commission on March 1, 2010, and take effect on April 1, 2010. April 1, 2010, is 60 days prior to implementation of the default service plan.</p>	<p>No</p>
<p>§54.188(e)(3): After the initial steps of implementation and procurement are completed, the DSP shall file tariff supplements designed to reflect, for each customer class, the rates to be charged for default service.</p>	<p>Citizens' and Wellsboro propose to file final tariff supplements on April 1, 2010.</p>	<p>No</p>
<p>§54.188(f): The DSP shall submit tariff supplements on a quarterly or more frequent basis, and provide written notice to the OCA, OSBA, OTS, and PJM. The tariff supplements shall be posted on the DSP's public internet domain at the time they are filed.</p>	<p>Under the review process currently observed for NGDCs, the Companies will submit adjusted tariff supplements in conjunction with their quarterly Section 1307 reconciliation filings. The Companies will post these quarterly tariff supplements on their respective websites and will provide all necessary parties with written notice.</p>	<p>No</p>

Policy Statement	Default Service Program	Waiver Needed
<p>§69.1801: Scope of the policy statement is to provide guidelines regarding the acquisition of electric generation supply, the recovery of associated costs, and the integration of default service with competitive retail electric markets.</p>	<p>The Default Service Program effectively provides for the competitive acquisition of generation supply through a portfolio approach wherein a single portfolio manager administers the Companies' procurement process that includes a combination of fixed and spot market purchases.</p>	<p>N/A</p>
<p>§69.1802(a): The goal of the Commission's regulations is to bring competitive market discipline to historically regulated markets through a default service policy that encourages the entry of new retail and wholesale suppliers. A greater diversity of generation suppliers will benefit ratepayers, but the rules are not designed to resolve every possible issue related to the acquisition of generation supply, recovery of costs, conditions of service, and the relationship with the competitive market.</p>	<p>The Companies' portfolio default service program is a reasonable approach at encouraging the entry of new wholesale suppliers through a system that will procure significant amounts of energy through spot markets as well as through fixed block purchases.</p>	<p>N/A</p>
<p>§69.1802(b): The Commission is cognizant of the practical limits of regulating complex markets and recognizes the inapplicability of an all-inclusive regulatory approach.</p>	<p>Citizens' and Wellsboro have developed a default service program that is best suited to their individual service territories. The default service program effectively balances the interests of the customers with the unique circumstances the Companies face as small DSPs with fewer than 50,000 retail customers.</p>	<p>N/A</p>

<p>§69.1802(c): The regulations in Chapter 54 serve as a general framework for default service provision. The Commission anticipates that its guidelines will be reevaluated after the expiration of the initial default service programs submitted by DSPs.</p>	<p>The Companies have attempted to comply with the Commission's regulations to the extent possible, and have only deviated from these guidelines where necessary to account for the unique circumstances presented by their recognized status as small DSPs.</p>	<p>N/A</p>
<p>§69.1804: Initial default service programs should be established for a term of 2 to 3 years. The Commission will monitor developments in the wholesale and retail markets and provide further guidance for the duration of subsequent default service programs.</p>	<p>The Companies' second default service program will continue for a duration of 3 years and will remain synched with the PJM planning year.</p>	<p>No</p>
<p>§69.1805: Procurement plans should balance the goals of developing competitive retail supply and include a prudent mix of arrangements to minimize the risk of over-reliance on particular products at a given point in time. DSPs should consider a mix of supply-side and demand-side products of long-term, short-term and spot market purchases with the goal of avoiding excessive long-term contracts. Procurement plans should be tailored to customer groups, but a DSP may propose alternative peak load divisions to preserve current customer classifications</p>	<p>Citizens' and Wellsboro have adopted a default service program that will result in a portfolio consisting of a prudent mix of supply-side products of varying durations. The Companies will not separate their procurement by class.</p>	<p>Yes—To the extent that the Commission requires customer class divisions, the Companies request a waiver of this guideline in consideration of the significant financial and technical burdens that would accompany the potential separation of their small number of customers into these classes.</p>

<p>§69.1806: The DSP shall comply with the AEPS regulations in procuring its electric generation supply, and the default service program should reflect incurrence of reasonable costs associated with AEPS compliance.</p>	<p>The default service program will incorporate procurement of alternative energy sources and the recovery of associated costs.</p>	<p>No</p>
<p>§69.1807: The Commission provides general guidelines applicable to any competitive bid processes that may be included as part of DSP procurement plans.</p>	<p>The Companies' have elected to implement a portfolio approach that will use a combination of fixed block and spot market purchases. The Procurement Plan provides additional detail regarding this aspect of the Commission's regulations.</p>	<p>N/A</p>
<p>§69.1808: The PTC in default service programs should recover all generation, transmission, and other related default service costs. These costs should include wholesale energy, capacity, ancillary, ISO administrative, and transmission costs, but should not include congestion or generation costs imbedded in distribution rates.</p>	<p>Citizens' and Wellsboro have included all reasonable costs in a single rate that also reflects the PTC. The Companies include congestion as a recoverable cost because they anticipate that any jointly procured electric products will settle at PJM West Hub, with the Companies responsible for any congestion. No generation costs imbedded in distribution rates will be included in the default service rate.</p>	<p>Yes—The Companies request a waiver of this section only to the extent that the Commission requires both a default service rate and a price to compare, as the Companies' GSSR will serve as both. In addition, the Companies request to include congestion in their rates due to the anticipated technical issues related to jointly-procured products.</p>
<p>§69.1809: Default service rates and PTCs should be adjusted on a regular basis to reflect changes in energy products, ensure recovery of reasonable costs, and to reconcile over- and underrecoveries. The public interest may be served by reconciliation of these costs more frequently than at the regular interval.</p>	<p>The Companies will implement a quarterly Section 1307 automatic adjustment mechanism similar to those employed by small NGDCs. Where the divergence between revenues and monthly costs plus over- or underrecoveries exceeds 4%, the Companies will submit interim GSSR reconciliation proposals.</p>	<p>No</p>

<p>§69.1810: Retail rates should reflect the actual incurred costs of energy procurement to encourage conservation, and should not include declining blocks, demand charges, or other similar elements.</p>	<p>The Companies' GSSR will reflect actual incurred costs of providing default service, and will not include any other elements.</p>	<p>No</p>
<p>§69.1811: The Commission provides guidance for neutral rate change mitigation following the expiration of generation rate caps.</p>	<p>The Companies' self-imposed generation rate caps have already expired, and the Commission has explicitly excluded them from this requirement.</p>	<p>No</p>

APPENDIX 3

**Matrix Percentages for
Procurements Throughout the Course of the Stratified Procurement Plan**

During Month of:	Companies will have in place cumulative monthly physical products of:	Of the following months' requirements:
Jul - Sep 09	90% to 100% 55% to 85% 40% to 70% 20% to 50% 0% to 30% 0%	Jul - Sep 2009 Oct - Dec 2009 Jan - Mar 2010 Apr - Jun 2010 Jul - Sep 2010 Oct 2010 and beyond
Oct - Dec 09	75% to 85% 60% to 95% 40% to 70% 15% to 45% 0% to 30% 0%	Oct - Dec 2009 Jan - Mar 2010 Apr - Jun 2010 Jul - Sep 2010 Oct - Dec 2010 Jan 2011 and beyond
Jan - Mar 10	85% to 95% 60% to 85% 40% to 75% 15% to 45% 0% to 30% 0%	Jan - Mar 2010 Apr - Jun 2010 Jul - Sep 2010 Oct - Dec 2010 Jan - Mar 2011 Apr 2011 and beyond
Apr - Jun 10	75% to 85% 65% to 100% 35% to 65% 20% to 50% 0% to 30% 0%	Apr - Jun 2010 Jul - Sep 2010 Oct - Dec 2010 Jan - Mar 2011 Apr - Jun 2011 Jul 2011 and beyond
Jul - Sep 10	90% to 100% 55% to 85% 40% to 70% 20% to 50% 0% to 30% 0%	Jul - Sep 2010 Oct - Dec 2010 Jan - Mar 2011 Apr - Jun 2011 Jul - Sep 2011 Oct 2011 and beyond
Oct - Dec 10	75% to 85% 60% to 95% 40% to 70% 15% to 45% 0% to 30% 0%	Oct - Dec 2010 Jan - Mar 2011 Apr - Jun 2011 Jul - Sep 2011 Oct - Dec 2011 Jan 2012 and beyond
Jan - Mar 11	85% to 95% 60% to 85% 40% to 75% 15% to 45% 0% to 30% 0%	Jan - Mar 2011 Apr - Jun 2011 Jul - Sep 2011 Oct - Dec 2011 Jan - Mar 2012 Apr 2012 and beyond

Apr - Jun 11	75% to 85% 65% to 100% 35% to 65% 20% to 50% 0% to 30% 0%	Apr - Jun 2011 Jul - Sep 2011 Oct - Dec 2011 Jan - Mar 2012 Apr - Jun 2012 Jul 2012 and beyond
Jul - Sep 11	90% to 100% 55% to 85% 40% to 70% 20% to 50% 0% to 30% 0%	Jul - Sep 2011 Oct - Dec 2011 Jan - Mar 2012 Apr - Jun 2012 Jul - Sep 2012 Oct 2012 and beyond
Oct - Dec 11	75% to 85% 60% to 95% 40% to 70% 15% to 45% 0% to 30% 0%	Oct - Dec 2011 Jan - Mar 2012 Apr - Jun 2012 Jul - Sep 2012 Oct - Dec 2012 Jan 2012 and beyond
Jan - Mar 12	85% to 95% 60% to 85% 40% to 75% 15% to 45% 0% to 30% 0%	Jan - Mar 2012 Apr - Jun 2012 Jul - Sep 2012 Oct - Dec 2012 Jan - Mar 2013 Apr 2013 and beyond
Apr - Jun 12	75% to 85% 65% to 100% 35% to 65% 20% to 50% 0% to 30% 0%	Apr - Jun 2012 Jul - Sep 2012 Oct - Dec 2012 Jan - Mar 2013 Apr - Jun 2013 Jul 2013 and beyond
Jul - Sep 12	90% to 100% 55% to 85% 40% to 70% 20% to 50% 0%	Jul - Sep 2012 Oct - Dec 2012 Jan - Mar 2013 Apr - May 2013 Jun 2013 and beyond
Oct - Dec 12	75% to 85% 60% to 95% 40% to 70% 0%	Oct - Dec 2012 Jan - Mar 2013 Apr - May 2013 Jun 2013 and beyond
Jan - Mar 13	85% to 95% 60% to 85% 0%	Jan - Mar 2013 Apr - May 2013 Jun 2013 and beyond
Apr - May 13	75% to 85% 0%	Apr - May 2013 Jun 2013 and beyond

Notes:

- (1) The matrix percentages above apply to monthly products. 100% equals Companies' monthly peak load requirement, minus the base load products.

APPENDIX 4

**Matrix Percentages for
Procurement of Alternative Energy Portfolio Standards Act Credits**

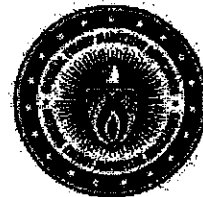
During the period of:	Companies will have in place cumulative AECs of:	Of the following AEPS Reporting Period requirements:
January 2009 – August 2009	40% to 100%	June 2008 – May 2009
By August 31, 2009	100%	June 2008 – May 2009
January 2009 – December 2009	40 to 80% 0% to 40%	June 2009 – May 2010 June 2010 – May 2011
January 2010 – August 2010	40% to 100%	June 2009 – May 2010
By August 31, 2010	100%	June 2009 – May 2010
January 2011 – December 2011	40% to 80% 0% to 40%	June 2010 – May 2011 June 2011 – May 2012
January 2011 – August 2011	40% to 100%	June 2010 – May 2011
By August 31, 2011	100%	June 2010 – May 2011
January 2012 – December 2012	40% to 80% 0% to 40%	June 2011 – May 2012 June 2012 – May 2013
January 2012 – August 2012	40% to 100%	June 2011 – May 2012
By August 31, 2012	100%	June 2011 – May 2012
January 2012 to December 2012	40% to 80% 0%	June 2012 – May 2013 June 2013 – May 2014
January 2012 – August 2012	40% to 100%	June 2012 – May 2013
By August 31, 2013	100%	June 2012 – May 2013

Notes:

- (1) The Companies will purchase 100% of the expected requirement and any excesses will be banked for future RPs, and any shortages will be purchased during the 90 day true-up period.
- (2) The Companies will have acquired and retired 100% of the latest RP requirements before the immediate September 1 following the RP.

APPENDIX 5

Master Power Purchase & Sale Agreement



Version 2.1 (modified 4/25/00)

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ATTRIBUTION TO THE COPYRIGHT OWNERS IS REQUESTED.

1.10 "Contract Price" means the price in \$U.S. (unless otherwise provided for) to be paid by Buyer to Seller for the purchase of the Product, as specified in the Transaction. *

1.11 "Costs" means, with respect to the Non-Defaulting Party, brokerage fees, commissions and other similar third party transaction costs and expenses reasonably incurred by such Party either in terminating any arrangement pursuant to which it has hedged its obligations or entering into new arrangements which replace a Terminated Transaction; and all reasonable attorneys' fees and expenses incurred by the Non-Defaulting Party in connection with the termination of a Transaction.

1.12 "Credit Rating" means, with respect to any entity, the rating then assigned to such entity's unsecured, senior long-term debt obligations (not supported by third party credit enhancements) or if such entity does not have a rating for its senior unsecured long-term debt, then the rating then assigned to such entity as an issues rating by S&P, Moody's or any other rating agency agreed by the Parties as set forth in the Cover Sheet.

1.13 "Cross Default Amount" means the cross default amount, if any, set forth in the Cover Sheet for a Party.

1.14 "Defaulting Party" has the meaning set forth in Section 5.1.

1.15 "Delivery Period" means the period of delivery for a Transaction, as specified in the Transaction.

1.16 "Delivery Point" means the point at which the Product will be delivered and received, as specified in the Transaction.

1.17 "Downgrade Event" has the meaning set forth on the Cover Sheet.

1.18 "Early Termination Date" has the meaning set forth in Section 5.2.

1.19 "Effective Date" has the meaning set forth on the Cover Sheet.

1.20 "Equitable Defenses" means any bankruptcy, insolvency, reorganization and other laws affecting creditors' rights generally, and with regard to equitable remedies, the discretion of the court before which proceedings to obtain same may be pending.

1.21 "Event of Default" has the meaning set forth in Section 5.1.

1.22 "FERC" means the Federal Energy Regulatory Commission or any successor government agency.

1.23 "Force Majeure" means an event or circumstance which prevents one Party from performing its obligations under one or more Transactions, which event or circumstance was not anticipated as of the date the Transaction was agreed to, which is not within the reasonable control of, or the result of the negligence of, the Claiming Party, and which, by the exercise of due diligence, the Claiming Party is unable to overcome or avoid or cause to be avoided. Force Majeure shall not be based on (i) the loss of Buyer's markets; (ii) Buyer's inability economically

1.48 "Put Option" means an Option entitling, but not obligating, the Option Buyer to sell and deliver the Product to the Option Seller at a price equal to the Strike Price for the Delivery Period for which the option may be exercised, all as specified in a Transaction. Upon proper exercise of the Option by the Option Buyer, the Option Seller will be obligated to purchase and receive the Product.

1.49 "Quantity" means that quantity of the Product that Seller agrees to make available or sell and deliver, or cause to be delivered, to Buyer, and that Buyer agrees to purchase and receive, or cause to be received, from Seller as specified in the Transaction.

1.50 "Recording" has the meaning set forth in Section 2.4.

1.51 "Replacement Price" means the price at which Buyer, acting in a commercially reasonable manner, purchases at the Delivery Point a replacement for any Product specified in a Transaction but not delivered by Seller, plus (i) costs reasonably incurred by Buyer in purchasing such substitute Product and (ii) additional transmission charges, if any, reasonably incurred by Buyer to the Delivery Point, or at Buyer's option, the market price at the Delivery Point for such Product not delivered as determined by Buyer in a commercially reasonable manner; provided, however, in no event shall such price include any penalties, ratcheted demand or similar charges, nor shall Buyer be required to utilize or change its utilization of its owned or controlled assets or market positions to minimize Seller's liability. For the purposes of this definition, Buyer shall be considered to have purchased replacement Product to the extent Buyer shall have entered into one or more arrangements in a commercially reasonable manner whereby Buyer repurchases its obligation to sell and deliver the Product to another party at the Delivery Point. *

1.52 "S&P" means the Standard & Poor's Rating Group (a division of McGraw-Hill, Inc.) or its successor.

1.53 "Sales Price" means the price at which Seller, acting in a commercially reasonable manner, resells at the Delivery Point any Product not received by Buyer, deducting from such proceeds any (i) costs reasonably incurred by Seller in reselling such Product and (ii) additional transmission charges, if any, reasonably incurred by Seller in delivering such Product to the third party purchasers, or at Seller's option, the market price at the Delivery Point for such Product not received as determined by Seller in a commercially reasonable manner; provided, however, in no event shall such price include any penalties, ratcheted demand or similar charges, nor shall Seller be required to utilize or change its utilization of its owned or controlled assets, including contractual assets, or market positions to minimize Buyer's liability. For purposes of this definition, Seller shall be considered to have resold such Product to the extent Seller shall have entered into one or more arrangements in a commercially reasonable manner whereby Seller repurchases its obligation to purchase and receive the Product from another party at the Delivery Point. *

1.54 "Schedule" or "Scheduling" means the actions of Seller, Buyer and/or their designated representatives, including each Party's Transmission Providers, if applicable, of notifying, requesting and confirming to each other the quantity and type of Product to be delivered on any given day or days during the Delivery Period at a specified Delivery Point.

which Seller shall be deemed to have accepted the terms as sent. If Seller and Buyer each send a Confirmation and neither Party objects to the other Party's Confirmation within two (2) Business Days of receipt, Seller's Confirmation shall be deemed to be accepted and shall be the controlling Confirmation, unless (i) Seller's Confirmation was sent more than three (3) Business Days after the Transaction was entered into and (ii) Buyer's Confirmation was sent prior to Seller's Confirmation, in which case Buyer's Confirmation shall be deemed to be accepted and shall be the controlling Confirmation. Failure by either Party to send or either Party to return an executed Confirmation or any objection by either Party shall not invalidate the Transaction agreed to by the Parties.

2.4 Additional Confirmation Terms. If the Parties have elected on the Cover Sheet to make this Section 2.4 applicable to this Master Agreement, when a Confirmation contains provisions, other than those provisions relating to the commercial terms of the Transaction (e.g., price or special transmission conditions), which modify or supplement the general terms and conditions of this Master Agreement (e.g., arbitration provisions or additional representations and warranties), such provisions shall not be deemed to be accepted pursuant to Section 2.3 unless agreed to either orally or in writing by the Parties; provided that the foregoing shall not invalidate any Transaction agreed to by the Parties.

2.5 Recording. Unless a Party expressly objects to a Recording (defined below) at the beginning of a telephone conversation, each Party consents to the creation of a tape or electronic recording ("Recording") of all telephone conversations between the Parties to this Master Agreement, and that any such Recordings will be retained in confidence, secured from improper access, and may be submitted in evidence in any proceeding or action relating to this Agreement. Each Party waives any further notice of such monitoring or recording, and agrees to notify its officers and employees of such monitoring or recording and to obtain any necessary consent of such officers and employees. The Recording, and the terms and conditions described therein, if admissible, shall be the controlling evidence for the Parties' agreement with respect to a particular Transaction in the event a Confirmation is not fully executed (or deemed accepted) by both Parties. Upon full execution (or deemed acceptance) of a Confirmation, such Confirmation shall control in the event of any conflict with the terms of a Recording, or in the event of any conflict with the terms of this Master Agreement.

ARTICLE THREE: OBLIGATIONS AND DELIVERIES

3.1 Seller's and Buyer's Obligations. With respect to each Transaction, Seller shall sell and deliver, or cause to be delivered, and Buyer shall purchase and receive, or cause to be received, the Quantity of the Product at the Delivery Point, and Buyer shall pay Seller the Contract Price; provided, however, with respect to Options, the obligations set forth in the preceding sentence shall only arise if the Option Buyer exercises its Option in accordance with its terms. Seller shall be responsible for any costs or charges imposed on or associated with the Product or its delivery of the Product up to the Delivery Point. Buyer shall be responsible for any costs or charges imposed on or associated with the Product or its receipt at and from the Delivery Point.

3.2 Transmission and Scheduling. Seller shall arrange and be responsible for transmission service to the Delivery Point and shall Schedule or arrange for Scheduling services

with its Transmission Providers, as specified by the Parties in the Transaction, or in the absence thereof, in accordance with the practice of the Transmission Providers, to deliver the Product to the Delivery Point. Buyer shall arrange and be responsible for transmission service at and from the Delivery Point and shall Schedule or arrange for Scheduling services with its Transmission Providers to receive the Product at the Delivery Point.

3.3 Force Majeure. To the extent either Party is prevented by Force Majeure from carrying out, in whole or part, its obligations under the Transaction and such Party (the "Claiming Party") gives notice and details of the Force Majeure to the other Party as soon as practicable, then, unless the terms of the Product specify otherwise, the Claiming Party shall be excused from the performance of its obligations with respect to such Transaction (other than the obligation to make payments then due or becoming due with respect to performance prior to the Force Majeure). The Claiming Party shall remedy the Force Majeure with all reasonable dispatch. The non-Claiming Party shall not be required to perform or resume performance of its obligations to the Claiming Party corresponding to the obligations of the Claiming Party excused by Force Majeure.

ARTICLE FOUR: REMEDIES FOR FAILURE TO DELIVER/RECEIVE

4.1 Seller Failure. If Seller fails to schedule and/or deliver all or part of the Product pursuant to a Transaction, and such failure is not excused under the terms of the Product or by Buyer's failure to perform, then Seller shall pay Buyer, on the date payment would otherwise be due in respect of the month in which the failure occurred or, if "Accelerated Payment of Damages" is specified on the Cover Sheet, within five (5) Business Days of invoice receipt, an amount for such deficiency equal to the positive difference, if any, obtained by subtracting the Contract Price from the Replacement Price. The invoice for such amount shall include a written statement explaining in reasonable detail the calculation of such amount.

4.2 Buyer Failure. If Buyer fails to schedule and/or receive all or part of the Product pursuant to a Transaction and such failure is not excused under the terms of the Product or by Seller's failure to perform, then Buyer shall pay Seller, on the date payment would otherwise be due in respect of the month in which the failure occurred or, if "Accelerated Payment of Damages" is specified on the Cover Sheet, within five (5) Business Days of invoice receipt, an amount for such deficiency equal to the positive difference, if any, obtained by subtracting the Sales Price from the Contract Price. The invoice for such amount shall include a written statement explaining in reasonable detail the calculation of such amount.

ARTICLE FIVE: EVENTS OF DEFAULT; REMEDIES

5.1 Events of Default. An "Event of Default" shall mean, with respect to a Party (a "Defaulting Party"), the occurrence of any of the following:

- (a) the failure to make, when due, any payment required pursuant to this Agreement if such failure is not remedied within three (3) Business Days after written notice;

- (b) any representation or warranty made by such Party herein is false or misleading in any material respect when made or when deemed made or repeated;
- (c) the failure to perform any material covenant or obligation set forth in this Agreement (except to the extent constituting a separate Event of Default, and except for such Party's obligations to deliver or receive the Product, the exclusive remedy for which is provided in Article Four) if such failure is not remedied within three (3) Business Days after written notice;
- (d) such Party becomes Bankrupt;
- (e) the failure of such Party to satisfy the creditworthiness/collateral requirements agreed to pursuant to Article Eight hereof;
- (f) such Party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all of its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer, the resulting, surviving or transferee entity fails to assume all the obligations of such Party under this Agreement to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other Party;
- (g) if the applicable cross default section in the Cover Sheet is indicated for such Party, the occurrence and continuation of (i) a default, event of default or other similar condition or event in respect of such Party or any other party specified in the Cover Sheet for such Party under one or more agreements or instruments, individually or collectively, relating to indebtedness for borrowed money in an aggregate amount of not less than the applicable Cross Default Amount (as specified in the Cover Sheet), which results in such indebtedness becoming, or becoming capable at such time of being declared, immediately due and payable or (ii) a default by such Party or any other party specified in the Cover Sheet for such Party in making on the due date therefor one or more payments, individually or collectively, in an aggregate amount of not less than the applicable Cross Default Amount (as specified in the Cover Sheet);
- (h) with respect to such Party's Guarantor, if any:
 - (i) if any representation or warranty made by a Guarantor in connection with this Agreement is false or misleading in any material respect when made or when deemed made or repeated;
 - (ii) the failure of a Guarantor to make any payment required or to perform any other material covenant or obligation in any guaranty made in connection with this Agreement and such failure shall not be remedied within three (3) Business Days after written notice;

- (iii) a Guarantor becomes Bankrupt;
- (iv) the failure of a Guarantor's guaranty to be in full force and effect for purposes of this Agreement (other than in accordance with its terms) prior to the satisfaction of all obligations of such Party under each Transaction to which such guaranty shall relate without the written consent of the other Party; or
- (v) a Guarantor shall repudiate, disaffirm, disclaim, or reject, in whole or in part, or challenge the validity of any guaranty.

5.2 Declaration of an Early Termination Date and Calculation of Settlement Amounts. If an Event of Default with respect to a Defaulting Party shall have occurred and be continuing, the other Party (the "Non-Defaulting Party") shall have the right (i) to designate a day, no earlier than the day such notice is effective and no later than 20 days after such notice is effective, as an early termination date ("Early Termination Date") to accelerate all amounts owing between the Parties and to liquidate and terminate all, but not less than all, Transactions (each referred to as a "Terminated Transaction") between the Parties, (ii) withhold any payments due to the Defaulting Party under this Agreement and (iii) suspend performance. The Non-Defaulting Party shall calculate, in a commercially reasonable manner, a Settlement Amount for each such Terminated Transaction as of the Early Termination Date (or, to the extent that in the reasonable opinion of the Non-Defaulting Party certain of such Terminated Transactions are commercially impracticable to liquidate and terminate or may not be liquidated and terminated under applicable law on the Early Termination Date, as soon thereafter as is reasonably practicable).

5.3 Net Out of Settlement Amounts. The Non-Defaulting Party shall aggregate all Settlement Amounts into a single amount by: netting out (a) all Settlement Amounts that are due to the Defaulting Party, plus, at the option of the Non-Defaulting Party, any cash or other form of security then available to the Non-Defaulting Party pursuant to Article Eight, plus any or all other amounts due to the Defaulting Party under this Agreement against (b) all Settlement Amounts that are due to the Non-Defaulting Party, plus any or all other amounts due to the Non-Defaulting Party under this Agreement, so that all such amounts shall be netted out to a single liquidated amount (the "Termination Payment") payable by one Party to the other. The Termination Payment shall be due to or due from the Non-Defaulting Party as appropriate.

5.4 Notice of Payment of Termination Payment. As soon as practicable after a liquidation, notice shall be given by the Non-Defaulting Party to the Defaulting Party of the amount of the Termination Payment and whether the Termination Payment is due to or due from the Non-Defaulting Party. The notice shall include a written statement explaining in reasonable detail the calculation of such amount. The Termination Payment shall be made by the Party that owes it within two (2) Business Days after such notice is effective.

5.5 Disputes With Respect to Termination Payment. If the Defaulting Party disputes the Non-Defaulting Party's calculation of the Termination Payment, in whole or in part, the Defaulting Party shall, within two (2) Business Days of receipt of Non-Defaulting Party's calculation of the Termination Payment, provide to the Non-Defaulting Party a detailed written

explanation of the basis for such dispute; provided, however, that if the Termination Payment is due from the Defaulting Party, the Defaulting Party shall first transfer Performance Assurance to the Non-Defaulting Party in an amount equal to the Termination Payment.

5.6 Closeout Setoffs.

Option A: After calculation of a Termination Payment in accordance with Section 5.3, if the Defaulting Party would be owed the Termination Payment, the Non-Defaulting Party shall be entitled, at its option and in its discretion, to (i) set off against such Termination Payment any amounts due and owing by the Defaulting Party to the Non-Defaulting Party under any other agreements, instruments or undertakings between the Defaulting Party and the Non-Defaulting Party and/or (ii) to the extent the Transactions are not yet liquidated in accordance with Section 5.2, withhold payment of the Termination Payment to the Defaulting Party. The remedy provided for in this Section shall be without prejudice and in addition to any right of setoff, combination of accounts, lien or other right to which any Party is at any time otherwise entitled (whether by operation of law, contract or otherwise).

Option B: After calculation of a Termination Payment in accordance with Section 5.3, if the Defaulting Party would be owed the Termination Payment, the Non-Defaulting Party shall be entitled, at its option and in its discretion, to (i) set off against such Termination Payment any amounts due and owing by the Defaulting Party or any of its Affiliates to the Non-Defaulting Party or any of its Affiliates under any other agreements, instruments or undertakings between the Defaulting Party or any of its Affiliates and the Non-Defaulting Party or any of its Affiliates and/or (ii) to the extent the Transactions are not yet liquidated in accordance with Section 5.2, withhold payment of the Termination Payment to the Defaulting Party. The remedy provided for in this Section shall be without prejudice and in addition to any right of setoff, combination of accounts, lien or other right to which any Party is at any time otherwise entitled (whether by operation of law, contract or otherwise).

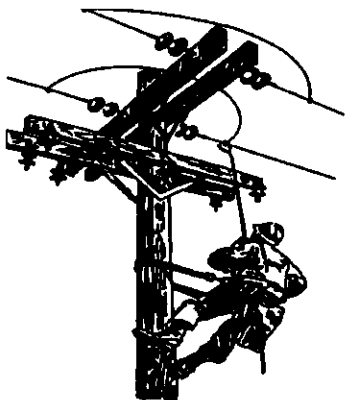
Option C: Neither Option A nor B shall apply.

5.7 Suspension of Performance. Notwithstanding any other provision of this Master Agreement, if (a) an Event of Default or (b) a Potential Event of Default shall have occurred and be continuing, the Non-Defaulting Party, upon written notice to the Defaulting Party, shall have the right (i) to suspend performance under any or all Transactions; provided, however, in no event shall any such suspension continue for longer than ten (10) NERC Business Days with respect to any single Transaction unless an early Termination Date shall have been declared and notice thereof pursuant to Section 5.2 given, and (ii) to the extent an Event of Default shall have occurred and be continuing to exercise any remedy available at law or in equity.

ARTICLE SIX: PAYMENT AND NETTING

6.1 Billing Period. Unless otherwise specifically agreed upon by the Parties in a Transaction, the calendar month shall be the standard period for all payments under this Agreement (other than Termination Payments and, if "Accelerated Payment of Damages" is specified by the Parties in the Cover Sheet, payments pursuant to Section 4.1 or 4.2 and Option premium payments pursuant to Section 6.7). As soon as practicable after the end of each month,

APPENDIX 6



CITIZENS' ELECTRIC COMPANY

1775 INDUSTRIAL BLVD • P.O. BOX 551 • LEWISBURG, PA 17837-0551 • (570) 524-2231 • FAX: (570) 524-5887

NOTICE OF PROPOSED RATE CHANGES

To Our Customers:

On May 29, 2009, Citizens' Electric Company of Lewisburg, PA ("Citizens" or "Company") filed a request with the Pennsylvania Public Utility Commission ("PUC") to make changes to its rates and services. This notice describes the Company's proposal, the PUC's role, and what actions you can take.

In Pennsylvania, electric service is made up of three parts: "Generation" or the production of electricity; "Transmission" or the movement of electricity from where it is generated to the point of distribution; and "Distribution" or the delivery of electricity from transmission lines to your home or business. You can choose the company that generates your electricity. Citizens' is required to provide each customer in its service territory with distribution service and to arrange for generation and transmission service for its customers that do not find a competitive supplier, which is known as default service. Citizens' must obtain the PUC's approval for how it buys the electricity for customers on default service. This does not change the quality, reliability and maintenance of your electric service.

Citizens' Filing

The requested rate and service changes to the Company's default service are needed in anticipation of the May 31, 2010 expiration of the Company's current default service plan. In this filing, Citizens' is proposing to continue purchasing portions of Citizens' generation supply needs in the wholesale market at differing costs and durations during the year. This strategy is commonly known as a portfolio approach. The Company also proposes to continue to change its Generation Supply Service Rate ("GSSR") for customers on a quarterly basis, to reflect more recent projections of the costs of the supply purchased through the portfolio. The GSSR changes will continue to occur on January 1, April 1, July 1 and October 1 of each year. Citizens' can adjust the GSSR rate between those dates, if necessary, to avoid a significant overcollection or undercollection.

You can examine the material that explains the requested changes and reasons that we filed with the PUC. The material is available at the Company's office located at 1775 Industrial Boulevard, Lewisburg, PA 17837, between the hours of 7:30 A.M. and 4:30 P.M. You can request a copy of the filing by calling us at (570) 524-2231. The filing is also available on our web site at www.citizenselectric.com.

PUC's Role

The PUC approves rates for public utilities. The PUC will examine the requested rate and service changes.

Actions You Can Take

To challenge our request to make these changes, you can file a formal complaint with the PUC. You can request a formal complaint form by writing the Pennsylvania Public Utility Commission, P. O. Box 3265, Harrisburg, PA 17105-3265, or by printing a copy from the PUC's web site at www.puc.state.pa.us. If no formal complaints are filed regarding our request, the Commission may grant all, some or none of the request without holding a hearing before a judge. Hearings may be held among the Company and any participating customers or entities.

For more information, contact Citizens' at (570) 524-2231, or call the PUC at 1-800-782-1110.

Citizens' Electric Company of Lewisburg, PA

APPENDIX 7

NOTICE OF PROPOSED RATE CHANGES

To Our Customers:

On May 29, 2009, Wellsboro Electric Company ("Wellsboro" or "Company") filed a request with the Pennsylvania Public Utility Commission ("PUC") to make changes to its rates and services. This notice describes the Company's proposal, the PUC's role, and what actions you can take.

In Pennsylvania, electric service is made up of three parts. "Generation" or the production of electricity. "Transmission" or the movement of electricity from where it is generated to the point of distribution. And "distribution" or the delivery of electricity from transmission lines to your home or business. You can choose the company that generates your electricity. Wellsboro is required to provide each customer in its service territory with distribution service and to arrange for generation and transmission service for its customers that do not find a competitive supplier, which is known as default service. Wellsboro must obtain the PUC's approval for how it buys the electricity for customers on default service. This does not change the quality, reliability and maintenance of your electric service.

Wellsboro's Filing

The requested rate and service changes to the Company's default service are needed in anticipation of the May 31, 2010 expiration of the Company's current default service plan. In this filing, Wellsboro is proposing to continue purchasing portions of Wellsboro's generation supply needs in the wholesale market at differing costs and durations during the year. This strategy is commonly known as a portfolio approach. The Company also proposes to continue to change its Generation Supply Service Rate ("GSSR") for customers on a quarterly basis, to reflect more recent projections of the costs of the supply purchased through the portfolio. The GSSR changes will continue to occur on January 1, April 1, July 1 and October 1 of each year. Wellsboro can adjust the GSSR rate between those dates, if necessary, to avoid a significant overcollection or undercollection.

You can examine the material that explains the requested changes and reasons that we filed with the PUC. The material is available at the Company's office located at 33 Austin Street, Wellsboro, PA 16901, between the hours of 7:30 A.M. and 4:30 P.M. You can request a copy of the filing by calling us at (570) 724-3516. The filing is also available on our web site at www.wellsboroelectric.com.

PUC's Role

The PUC approves rates for public utilities. The PUC will examine the requested rate and service changes.

Actions You Can Take

To challenge our request to make these changes, you can file a formal complaint with the PUC. You can request a formal complaint form by writing the Pennsylvania Public Utility Commission, P. O. Box 3265, Harrisburg, PA 17105-3265, or by printing a copy from the PUC's web site at <http://puc.paonline.com>. If no formal complaints are filed regarding our request, the Commission may grant all, some or none of the request without holding a hearing before a judge. Hearings may be held among the Company and any participating customers or entities.

For more information, contact Wellsboro at (570) 724-3516, or call the PUC at 1-800-782-1110.

Wellsboro Electric Company