**PJM INTERCONNECTION, L.L.C.**

**SECURITY FOR DESIGNATED ENTITY AGREEMENT**

**IRREVOCABLE NON-TRANSFERRABLE STANDBY** **LETTER OF CREDIT**

ISSUE DATE: **\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

ISSUING BANK:

**[INSERT BANK NAME]**

**[INSERT STREET ADDRESS]**

**[INSERT SUITE/FLOOR, ETC.]**

**[INSERT CITY, STATE, ZIP CODE]**

**[INSERT TO WHOSE ATTENTION/DEPARTMENT NOTICES SHOULD BE DIRECTED]**

BENEFICIARY:

PJM INTERCONNECTION, L.L.C.

2750 MONROE BOULEVARD

AUDUBON, PA 19403

ATTN: CREDIT RISK & SURVEILLANCE DEPARTMENT

APPLICANT:

**[INSERT APPLICANT NAME]**

**[INSERT STREET ADDRESS]**

**[INSERT SUITE/FLOOR, ETC.]**

**[INSERT CITY, STATE, ZIP CODE]**

**[INSERT TO WHOSE ATTENTION/DEPARTMENT NOTICES SHOULD BE DIRECTED]**

AMOUNT: US$**XXXXXX** (**XXXXXXX** AND 00/100 U.S. DOLLARS)

To Whom It May Concern:

We, ***[insert name and address of issuing bank]***(“Issuer”), hereby issue our Irrevocable Non-Transferrable Standby Letter of Credit No. ***[insert reference number]*** in favor of PJM Interconnection, L.L.C. (“Beneficiary”), with an address at 2750 Monroe Boulevard, Audubon, Pennsylvania 19403, and for the account of ***[applicant's name and address]*** (“Designated Entity”), in connection with that certain Designated Entity Agreement between Designated Entity and Beneficiary, and any amendments thereto, in the maximum aggregate amount of $***[insert dollar amount]***.

Issuer undertakes to pay Beneficiary’s demand for payment in the form of Annex A attached hereto in the currency and for an amount available under this Irrevocable Non-Transferrable Standby Letter of Credit and completed as indicated and presented to Issuer at the following place for presentation: ***[address of place for presentation]***, on or before the expiration date.

It is a condition of this Irrevocable Non-Transferrable Letter of Credit that we shall maintain a corporate debt rating not less than “A” by Standard & Poor’s or Fitch Ratings, or “A2” from Moody’s Investors Service, or an equivalent short term rating from one of these agencies. In the event that we do not maintain the minimum corporate debt rating required thereby, you may demand payment from the Issuer at the address above, of the remaining balance of this Irrevocable Non-Transferrable Letter of Credit upon presentation of your written demand for payment.

Beneficiary may draw on this Irrevocable Non-Transferrable Standby Letter of Credit in full or in part. This Irrevocable Non-Transferable Standby Letter of Credit is issued, presentable, and payable, and we guaranty to Beneficiary that payment demands under and in compliance with the terms hereof shall be honored upon presentation pursuant to the terms of hereof.

If any payment demand is presented on a business day and such presentation is made at our counters on or before 10:00 a.m. ***[insert time zone of Issuer - Eastern, Central, Mountain or Pacific]*** Prevailing Time, we shall satisfy such drawing request on the same business day. If the payment demand is received at ourcounters after 10:00 a.m. ***[insert time zone of Issuer - Eastern, Central, Mountain or Pacific]*** Prevailing Time, we will satisfy such payment demand on the next business day. For the purposes of this section, a business day means a day, other than a Saturday or Sunday, on which the Federal Reserve Bank of New York is not authorized or required to be closed. Disbursements shall be in accordance with the instructions of Beneficiary.

This Irrevocable Non-Transferrable Standby Letter of Credit expires at this office on *[insert date of signing plus 12 months]*.

It is a condition of this Irrevocable Non-Transferrable Standby Letter of Credit that it will be automatically extended for periods of one year each from the present or any future expiry date, unless we notify you in writing at least ninety (90) days prior to such expiry date that we elect not to further extend this Irrevocable Non-Transferrable Standby Letter of Credit. Upon receipt of such notice, you may draw on this Irrevocable Non-Transferrable Standby Letter of Credit within the sixty (60) days prior to the then relevant expiry date by presenting your one or more payment demands to us for an aggregate amount up to the unused balance of this Irrevocable Non-Transferrable Standby Letter of Credit.

The amount which may be drawn by you under this letter of credit shall be automatically reduced by the amount of any drawing hereunder at our counters. Any number of partial drawings are permitted from time to time hereunder.

Presentation of any payment demand under this Irrevocable Non-Transferrable Standby Letter of Credit may be presented in person, or may be sent to us by courier, overnight mail, registered mail, or via email or facsimile with a confirming copy of such email or facsimile sent after the drawing by certified mail, to the address set forth above, or such other address as may hereafter be furnished by us. Other notices concerning this Irrevocable Non-Transferrable Standby Letter of Credit may be sent by similar communications facility to the respective addresses set forth above. Notice provided in person or sent by courier shall be effective upon presentation. Notices sent via registered mail shall be effective upon scheduled weekday delivery day. Notices sent via overnight mail shall be deemed effective on the first business day after deposit with the overnight mail service provider. Notices sent via facsimile or email shall be deemed effective upon receipt of the facsimile or email by the recipient party.

Payments by Issuer under this Irrevocable Non-Transferrable Standby Letter of Credit shall be made by wire transfer to Beneficiary pursuant to the wire instructions specified in Beneficiary’s demand for payment.

Except so far as otherwise expressly stated herein, this Irrevocable Non-Transferrable Standby Letter of Credit is issued subject to the International Standby Practices 1998 (“ISP98”) (International Chamber of Commerce Publication No. 590) and, as to matters not governed by ISP98, shall be governed by the laws of the Commonwealth of Pennsylvania without regard to its conflict of laws provisions.

This Irrevocable Non-Transferrable Standby Letter of Credit may not be transferred or assigned by Issuer*.*

Except when the only amendment, change or modification is to increase the amount of this Irrevocable Non-Transferrable Standby Letter of Credit, this Irrevocable Non-Transferrable Standby Letter of Credit may not be amended, changed or modified without the express written consent of Issuer and PJM Interconnection, L.L.C. Beneficiary shall not be deemed to have waived any rights under this Irrevocable Non-Transferrable Standby Letter of Credit unless it or its authorized agent shall have signed a written waiver. No such waiver, unless expressly stated therein, shall be effective as to any transaction that occurs subsequent to the date of the waiver nor as to any continuance of a breach after the waiver.

We hereby engage with you that documents drawn under and in compliance with the terms of this Irrevocable Non-Transferrable Standby Letter of Credit shall be duly honored upon presentation as specified and we represent that Designated Entity is not an affiliate of Issuer.

Issuer will not make payment under this Irrevocable Non-Transferrable Standby Letter of Credit to any person who is listed on a United Nations, European Union or United States of America sanctions list, nor to any person with whom the issuing bank is prohibited from engaging in transactions under applicable United States federal or state anti-boycott, anti-terrorism, anti-money laundering, or trade or economic sanctions laws.

All commissions, fees and charges in connection with this Irrevocable Non-Transferrable Standby Letter of Credit shall be borne by Designated Entity.

***[ISSUER BANK]***

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

*(Authorized Officer Signature)*

***[insert typed name of authorized officer]***

***[insert title of authorized officer]***

Annex A

Form of Payment Demand

On Beneficiary Letterhead

**[Insert Date]**

**[Issuer]**

**[Issuer Address]**

*Re: Demand for Payment Under Irrevocable Non-Transferrable Standby Letter of Credit No.* ***[insert reference number]****, dated* ***[date]****, issued by* ***[Issuer’s name]***

I am an authorized representative of PJM Interconnection, L.L.C., the undersigned beneficiary (“Beneficiary”) and I hereby certify that

**[*[insert Designated Entity’s name]***(“Designated Entity”) is in default of its obligations under or in connection with that certain Designated Entity Agreement between Designated Entity and Beneficiary, Service Agreement No. \_\_\_\_, dated [, and amended on and/or its obligations as a Designated Entity under the PJM Open Access Transmission Tariff and/or Amended and Restated Operating Agreement of PJM Interconnection, L.L.C.]. Therefore, Beneficiary demands payment of ***[insert dollar amount]***, upon presentation, pursuant to the referenced Irrevocable Non-Transferrable Standby Letter of Credit.**];**

**or,**

**[**the referenced Irrevocable Non-Transferrable Standby Letter of Credit will expire in less than sixty (60) days and that Issuer provided Beneficiary notice on ***[insert date]*** that it will not further extend said letter of credit. Therefore, Beneficiary demands payment of ***[insert dollar amount]***, upon presentation, pursuant to the referenced Irrevocable Non-Transferrable Standby Letter of Credit and its provision regarding notice of non-extension.**];**

**or,**

**[**Beneficiary has determined that Issuer has failed to maintain a corporate debt rating not less than “A” by Standard & Poor’s or Fitch Ratings, or “A2” from Moody’s Investors Service, or an equivalent short term rating from one of these agencies. Therefore, Beneficiary demands payment of ***[insert dollar amount]***, upon presentation, pursuant to the referenced Irrevocable Non-Transferrable Standby Letter of Credit and its provision regarding failure to maintain the minimum corporate debt rating.**]**

Beneficiary requests that payment be made by wire transfer to an account of Beneficiary as follows: [***insert name, address and routing number of Beneficiary’s bank, and name and number of Beneficiary’s account***].

PJM Interconnection, L.L.C

2750 Monroe Blvd.

Audubon, PA 19403

By its authorized officer/authorized representative:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

*Signature*

***[insert typed name of authorized officer/authorized representative]***

***[insert title of authorized officer/authorized representative]***