

Sample Pre-Bid Letter of Credit

[On Issuing Bank's Letterhead]

IRREVOCABLE STANDBY LETTER OF CREDIT

_____ ("Date of Issuance")

Letter of Credit No. _____

Beneficiary:

Duquesne Light Company ("The Company")

C/O Independent Market Monitor – Robert Lee
CRA International
200 Clarendon Street, T-9
Boston, MA 02116-5092

Applicant:

[Name of Bidder]

[Address]

1. We, _____ (the "Issuing Bank") hereby establish in your favor this irrevocable Letter of Credit (this "Letter of Credit") for the account of _____ (the "Bidder"), in the amount of USD \$_____, effective immediately and available to you at sight upon demand by all of you at our counters at _____ [Location]. This Letter of Credit, unless terminated earlier in accordance with the provisions hereof or otherwise extended, shall remain in full force and effect at least until (i) the PaPUC has accepted the results of the Default Service Residential/Small C&I/Medium C&I (Fixed Price) Auction and/or Default Service Large C&I (Hourly Priced) Auction and the Bidder does not hold a winning Bid in the respective auction; or (ii) the PaPUC has accepted the results of the Default Service Residential/Small C&I/Medium C&I (Fixed Price) Auction and/or Default Service Large C&I (Hourly Priced) Auction, and the Bidder holds a winning Bid, the Bidder has executed the Default Service Supplier Master Agreement ("Default Service SMA") associated with its winning Bid, and the Bidder has satisfied the creditworthiness standards of such Default Service SMA; or (iii) the PaPUC has rejected the results of the Default Service Residential/Small C&I/Medium C&I (Fixed Price) Auction and/or Default Service Large C&I (Hourly Priced) Auction; or (iv) the expiration date of this Letter of Credit, _____ which is at least thirty (30) days following the Bid Date.

2. This Letter of Credit is issued at the request of the Bidder, and we hereby irrevocably authorize you to draw on us, in accordance with the terms and conditions hereof, up to the maximum amount of this Letter of Credit, subject to reduction as provided in Paragraph 11 hereof. This Letter of Credit may be drawn by presenting documents required in Paragraph 3 hereof and your certificate, in the form of Annex 1, stating that the Bidder:
 - a) "has made a material omission or misrepresentation in its Part 1 Application or in its Part 2 Application to participate in Duquesne Light Company' Default Service Residential/Small C&I/Medium C&I (Fixed Price) Auction and/or Default Service Large C&I (Hourly Priced) Auction"; or
 - b) "has disclosed information relating to its Application or its Bids publicly or to any other party before the PaPUC has rendered a decision on the results of the Default Service Residential/Small C&I/Medium C&I (Fixed Price) Auction and/or Default Service Large C&I (Hourly Priced) Auction"; or
 - c) "has won one or more tranches and has failed to execute the Default Service SMA(s) within three (3) business days of the PaPUC's approval of the results of the Default Service Residential/Small C&I/Medium C&I (Fixed Price) Auction and/or Default Service Large C&I (Hourly Priced) Auction"; or
 - d) "has won one or more tranches and has failed to meet the creditworthiness requirements of the Default Service SMA at the time of their execution".
3. A partial or full drawing hereunder may be made by you on any Business Day on or prior to the expiration of this Letter of Credit by delivering, by no later than 11:00 A.M. (prevailing Eastern Time¹) on such Business Day to _____ (Issuing Bank), _____ (address), (i) a notice in the form of Annex 1 hereto executed by an Authorized Officer of Duquesne Light Company and (ii) your draft in the form of Annex 2 hereto, appropriately completed and duly signed by an Authorized Officer of Duquesne Light Company. Authorized Officer shall mean President, Treasurer, any Vice President or any Assistant Treasurer.
4. We hereby agree to honor a drawing hereunder made in compliance with the terms and conditions of this Letter of Credit by transferring in immediately available funds the amount specified in the draft delivered to us in connection with such drawing to your account at such bank in the United States as you may specify in your draft delivered to us pursuant to Paragraph 3 hereof, by 3:00 PM (prevailing Eastern Time) on the date of such drawing if delivery of this requisite document is made prior to 11:00 AM (prevailing Eastern Time) on a

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

Business Day pursuant to Paragraph 3 hereinabove, but at the opening of business on the first Business Day next succeeding the date of such drawing if delivery of the requisite document is made on or after 11:00 AM (prevailing Eastern Time) on any Business Day pursuant to Paragraph 3 hereinabove.

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

"Authorized Officer" shall mean President, Treasurer, any Vice President or any Assistant Treasurer.

"Bid Date" shall mean the day when the Default Service auctions are conducted.

"Bidder" shall mean a party that submits a Part 1 Application and a Part 2 Application to Duquesne Light Company in response to Duquesne Light Company' Default Service Residential/Small C&I/Medium C&I (Fixed Price) Auction and/or the Default Service Large C&I (Hourly Priced) Auction.

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

"Default Service Supplier Master Agreement" shall mean the agreement by which Duquesne Light Company will be contracting for the provision of Default Service Supply.

"Residential/Small C&I/Medium C&I (Fixed Price) Auction" shall mean Duquesne Light Company' Default Service Residential/Small C&I/Medium C&I (Fixed Price) Auction.

"Large C&I (Hourly Priced) Auction" shall mean Duquesne Light Company' Default Service Large C&I (Hourly Priced) Auction.

"PaPUC" shall mean Pennsylvania Public Utility Commission.

"Rules" shall mean the rules that govern the conduct of the Residential/Small C&I/Medium C&I (Fixed Price) Auction and the Large C&I (Hourly Priced) Auction as filed and approved by the PaPUC.

8. This Letter of Credit is not transferable, and except as otherwise expressly stated herein, is subject to the Uniform Customs and Practices for Documentary Credits – 2007 revision, ICC Publication No. 600, or any successor publication thereto (the "UCP"). All banking charges are for the account of the Bidder. This Letter of Credit shall, as to matters not governed by the UCP, be governed and construed in accordance with New York law, without regard to principles of conflicts of law.
9. This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, changed, amplified or limited by reference to any document, instrument or agreement referred to herein, except for Annexes 1 through 3 hereto and the notices referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except as set forth above.
10. We certify that as of _____ (date) we _____ (Issuing Bank) satisfy the minimum senior unsecured debt rating of at least "A" from Standard & Poor's or Fitch, or "A2" from Moody's.
11. The amount which may be drawn by you under this Letter of Credit shall be automatically reduced by the amount of any drawings paid through us referencing this Letter of Credit No. _____. Partial drawings are permitted hereunder.
12. Faxed document(s) are acceptable. Presentation by fax must be made to fax number _____ and confirmed by telephone to telephone number _____.

13. In the event of act of God, riot, civil commotion, insurrection, war, terrorism or by any strikes or lock outs, or any cause beyond our control, that interrupts our business, and causes the place for presentation of this Letter of Credit to be closed for business on the last day of presentation, the expiration date of this Letter of Credit shall be automatically extended without amendment to a date thirty (30) calendar days after the place for presentation reopens for business.
14. This original Letter of Credit has been sent to the Independent Market Monitor at 'Independent Market Monitor — c/o Robert Lee, CRA International, 200 Clarendon street, T-9, Boston, MA, 02116-5092' (as per Bidder's instructions, the Independent Market Monitor holds the Letter of Credit for the benefit of Duquesne Light Company). The aggregate amount paid to Duquesne Light Company during the validity of this Letter of Credit will not exceed the amount of this Letter of Credit. Any demands or communications in the form of the attached Annexes or other communications directed to us under this Letter of Credit must be signed by an Authorized Officer of Duquesne Light Company. Acceptance or rejection of any amendments to this Letter of Credit must be signed by an Authorized Representative of the Independent Market Monitor on behalf of Duquesne Light Company. An Authorized Representative of the Independent Market Monitor means any Vice President or Senior Vice President of the Independent Market Monitor.

Very truly yours,

(Issuing Bank)

By: _____

Name:
Title:

By: _____

Name:
Title:

Annex 1 to Letter of Credit

DRAWING UNDER LETTER OF CREDIT NO. _____

_____, 20__

To: (Issuing Bank)

(Address)

Attention: Standby Letter of Credit Unit

Ladies and Gentlemen:

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

1. Capitalized terms used herein that are defined herein shall have the meanings ascribed thereto in the Letter of Credit;
2. Pursuant to Paragraph 2 of the Letter of Credit No. _____, dated _____, 20__, the undersigned are entitled to make a drawing under the Letter of Credit in the amount of \$ _____, inasmuch as the Bidder has _____ (state reason from conditions (a) – (d) of Paragraph 2).
3. The amounts to be received by Duquesne Light Company is \$ _____.
4. We acknowledge that, upon your honoring the drawing herein requested, the amount of the Letter of Credit available for drawing shall be automatically decreased by an amount equal to this drawing.

Very truly yours,

DUQUESNE LIGHT COMPANY

By _____

Name:

Title:

Date:

Annex 2 to Letter of Credit

DRAWING UNDER LETTER OF CREDIT NO. _____

_____, 20__

ON [Business Day pursuant to Paragraph 3]

PAY TO: [DUQUESNE LIGHT COMPANY]

Attn:

\$ _____

For credit to the account of _____.

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

(Issuing Bank)

(Address)

DUQUESNE LIGHT COMPANY

By _____
Name:
Title:
Date:

Annex 3 to Letter of Credit

CERTIFICATE OF EXPIRATION
OF LETTER OF CREDIT NO. _____

_____, 20__

To: (Issuing Bank)

(Address)

Attention: Standby Letter of Credit Unit

Ladies and Gentlemen:

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

DUQUESNE LIGHT COMPANY

By _____

Name:

Title:

Date:

cc: _____ (Bidder)