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MAR 11 2011

March 11, 2011

**BY FED EX**

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Post Office Box 3265  
Harrisburg, PA 17105-3265

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

Re: Licensing Requirements for Natural Gas Suppliers: SEARCH Final Order and Action Plan: Natural Gas Supplier Issues: Docket Nos. L-2008-2069115 and I-00040103F-0002; Compliance Tariff Filing of PECO Energy Gas Division

Dear Secretary Chiavetta:

Enclosed for filing, please find the original and eight (8) copies of Supplement No. 5 to PECO Energy Company Gas Choice Supplier Coordination Tariff Gas Pa. P.U.C No. 1S and Supplement No. 106 to PECO Energy Company Gas Tariff – Gas Pa P.U.C. No. 2, both having an effective date of March 12, 2011. This filing is being made consistent with the Commission's Final Rulemaking Order entered on June 17, 2010 and which became effective on January 1, 2011 in the above-captioned proceeding. Copies of this filing have been served on the persons (including all natural gas suppliers licensed in the Company's service territory) indicated on the attached certificate of service.

PECO is filing these tariff supplements late because it inadvertently missed the filing deadline. Therefore, PECO requests that these supplements be accepted *nunc pro tunc* so that it may be able to implement the required changes without further delay.

Should you have any questions concerning this filing feel free to contact me at 215-841-5777.

Sincerely,

w/enclosures

cc: Certificate of Service

C. Walker-Davis, Esquire, Director – Office of Special Assistants  
R. F. Wilson, Director, Bureau of Fixed Utility Services  
J. E. Simms, Director, Office of Trial Staff  
M. Carl Lesney, Director, Bureau of Audits  
Office of Consumer Advocate  
Office of Small Business Advocate  
Bureau of Consumer Services  
McNees, Wallace & Nurick  
R. E. Wallace, Bureau of Audits

# PECO Energy Company

## GAS CHOICE SUPPLIER COORDINATION TARIFF

### COMPANY OFFICE LOCATION

2301 Market Street  
Philadelphia, Pennsylvania 19101

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MAR 11 2011

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PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

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Issued: March 11, 2011

Effective: March 12, 2011

**ISSUED BY:**  
Denis P. O'Brien  
PECO Energy Distribution Company  
2301 Market Street  
Philadelphia, PA. 19103

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# NOTICE.

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**LIST OF CHANGES MADE BY THIS SUPPLEMENT**

**Registration for Coordination Services (1<sup>st</sup> Revised Page No. 11)**

Changed word Surety to Security.

**Security Creditworthiness Requirements (1<sup>st</sup> Revised Page No. 19 and 1<sup>st</sup> Revised Page No. 20)**

Pursuant to Commission Order at Docket Nos. L-2008-2069115 and I-00040103F-0002- Licensing Requirements for Natural Gas Suppliers.

**Creditworthiness Evaluation Fee (1<sup>st</sup> Revised Page No. 23)**

Pursuant to Commission Order at Docket Nos. L-2008-2069115 and I-00040103F-0002- Licensing Requirements for Natural Gas Suppliers.

**Guarantee of Delivery and Payments (1<sup>st</sup> Revised Page No. 32)**

Pursuant to Commission Order at Docket Nos. L-2008-2069115 and I-00040103F-0002- Licensing Requirements for Natural Gas Suppliers.

**Amount of Security (Original Page No. 32A), (Original Page No. 32B) and (Original Page No. 32C)**

Pursuant to Commission Order at Docket Nos. L-2008-2069115 and I-00040103F-0002- Licensing Requirements for Natural Gas Suppliers.

**Adjustments to the Amount of Security**

Pursuant to Commission Order at Docket Nos. L-2008-2069115 and I-00040103F-0002- Licensing Requirements for Natural Gas Suppliers.

**Supplier Disputes as to Form and Amount of Security (First Revised Page No. 36)**

Pursuant to Commission Order at Docket Nos. L-2008-2069115 and I-00040103F-0002- Licensing Requirements for Natural Gas Suppliers.

**Events of Breach (First Revised Page No. 41)**

Changed word Surety to Security.

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## 5.0 SUPPLIER QUALIFICATION CRITERIA AND COMMENCEMENT OF SERVICE

5.1 Suppliers applying for service hereunder shall be required to complete the Company's Supplier Evaluation Form for review by the Company based on the criteria set forth in this Tariff and provide the Company a completed registration as detailed in Section 5.5.1.

5.2 If the Supplier plans to bill any Customers in its LVT Customer Group for Supplier charges, the Supplier shall describe in the Supplier Evaluation Form these billing procedures and resources. In all cases, the Supplier shall retain ultimate responsibility for this function with its Customers.

5.3 Suppliers shall include with their Supplier Evaluation Form, payment of a non-refundable three hundred fifty dollars (\$350.00) Supplier Registration and Application Fee.

### 5.4 Commencement of Service

5.4.1 **Registration for Coordination Services.** In addition to the Supplier Evaluation Form and the Supplier Registration Fee, a NGS seeking to obtain Coordination Services hereunder must deliver to the Company a completed registration, consisting of the following:

- a. A Supplier Coordination Services Agreement as contained in Rule 15 of this Tariff, fully executed in duplicate by a duly authorized NGS Representative;
- b. A Commission-endorsed EDI Trading Partner Agreement, fully executed in duplicate by a duly-authorized NGS Representative.
- c. A copy of the Supplier License issued by the Commission ; and
- d. An initial Security as provided in Rule 11.10 of this Tariff.

(C)

5.4.2 **Incomplete Registrations.** In the event the NGS submits an incomplete registration, the Company shall provide written notice to the NGS of the registration's deficiencies within ten (10) business days after the date of service of the registration, as determined under 52 Pa. Code 1.56. An incomplete registration shall not be processed by the Company until it is fully completed by the NGS and delivered to the Company.

5.4.3 **Processing of Registrations.** The Company shall complete the processing of each registration for Coordination Services within ten (10) business days after the date of service of the completed registration, as determined under 52 Pa. Code 1.56. The Company shall approve all completed registrations unless grounds for rejecting the registration, as set forth in Section 5.5.4, exist.

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**7.8 Reliability Requirements.** A Supplier shall satisfy all applicable reliability requirements.

**7.9 Supply of Data.** A Supplier and the Company shall provide to the other in a thorough and timely manner all data, materials or information specified in this Tariff, or otherwise reasonably required by the Supplier or Company in connection with the provision of Coordination Services.

**7.10 Communication Requirements.** A Supplier must have the software, hardware and technical acumen necessary to access the Company's websites. In addition, Suppliers who are assigned Pipeline FT Capacity, must have the hardware, software, and user competencies necessary to access pipeline electronic bulletin boards.

**7.10.1** At a minimum, a Supplier must be equipped with the following communications capabilities or better:

- a. Internet electronic mail (e-mail);
- b. Internet browser (Netscape 4.0 or better) for access to both the SUCCESS and City Gate Solutions websites, or their respective successors, and file uploads and downloads; and
- c. Value Added Network(VAN) or Internet EDI peer-to-peer communication with push and pull capability.

**7.11 Record Retention.** A Supplier shall comply with all applicable laws and PaPUC rules and regulations for record retention.

**7.11.1** Suppliers are required to create and maintain an encrypted file, with the password for such file provided to the Commission, containing at a minimum the following billing data: NGS name, Customer's NGDC account number, rate class, NGS rate, effective period of such rate and any other information required to properly bill customer at the NGS's rate. Such data will be updated monthly by NGSs and will be released to the Company only in the event of default by an NGS which requires the Company to comply with Section 2207(k) of the Act.

**7.12 Payment Obligation.** The Company's provision of Coordination Services to a Supplier is contingent upon the Supplier's payment of all charges due under this Tariff.

**7.13 Security Creditworthiness Requirements.** The Supplier shall maintain the Security required by the Company and shall maintain an acceptable credit rating in accordance with the requirements of the Supplier Evaluation Form. The Company reserves the right to conduct financial evaluations on an annual basis. As such, the Supplier is required to furnish annual audited financial statements to the Company. In the event the Company does not receive any annual audited financial statements, unaudited financial statements may be acceptable. The Company also may perform more than one financial analysis for any Supplier during the course of the year when the Company reviews financial information of a Supplier and determines in the Company's judgment that the Supplier's creditworthiness has materially changed. The Company may bill the Supplier and the Supplier shall be responsible for payment of a ninety two dollar (\$92.00) fee for such evaluations. (C)

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**PECO Energy Company**

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The Company will limit evaluations at the Supplier's expense to two (2) evaluations in any twelve (12) month period. If the Company determines that a Supplier's creditworthiness has materially changed, the Company may adjust the amount of Security required pursuant to Rule 11.10.1.

(C)

**7.14 Data Exchange**

- a. Subject to Rule 7.14(b) below, Supplier shall receive information regarding that LVT Customer via a Company-approved EDI transaction from the Company.
- b. A Supplier must notify its LVT Customers that by signing up for Competitive Natural Gas Supply with the Supplier, the Customer is authorizing the disclosure by the Company to the Supplier of certain *basic information about the Customer. The notice shall inform the Customer that the following information may be disclosed: the Customer's PECO Energy account number, data about meter readings, rate class and natural gas usage, and the Customer's address(es).*
- c. Supplier will utilize all file formats for EDI transactions, including changes thereto for which Supplier has received at least seven (7) days. The Company will not change the file format without notice via internet mail.
- d. Nothing in this Rule 7.14 shall prohibit the Company from making available to Suppliers other electronic data, in formats chosen by the Company.

**7.15 Natural Gas Supply Reliability Plan.** Under Section 1307 of the Public Utility Code, the Company is required to submit annually to the PaPUC a reliability plan for its system identifying the projected peak day and seasonal requirements of the firm service Customers on its system, and the transportation capacity, storage, peaking or on-system production that shall ensure deliverability of such system requirements (together referred to as "Deliverability Assets"). Each Supplier shall cooperate with the Company in the preparation of such reliability plans, and shall provide all reasonable information related to gas Deliverability Assets under its control required by the reliability plan in a form of an affidavit specifying that supply is available. Such information shall not be subject to disclosure to a third party except as required by law or as necessary for the purposes of documenting reliability for the Company's distribution system. Each Supplier shall ensure that Deliverability Assets under its control, which are relied upon in the Company's reliability plan, are available to the Company, or PaPUC-authorized Supplier of Last Resort, in accordance with the Supplier's obligations under its Coordination Services Agreement and this Tariff.

**7.16 Compliance with Commission Orders.** The Company and Suppliers shall each comply with all applicable final Commission Orders regarding Gas Choice, including, for example, Commission standards for credit determination, deposits, initiation and disconnection of service to LVT Customers as set forth in Maintaining Service Quality Guidelines at Docket No. M-00991249F0003, Customer Information Disclosure Requirements at Docket No. M-00991249F0005 regarding Supplier disclosure of terms of service, marketing,

## 9.0 SUPPLIER COORDINATION SERVICES FEES

**9.1 Supplier Registration Fee.** Supplier will pay a one-time nonrefundable fee of three hundred fifty dollars (\$350.00) to recover the cost of processing the Supplier's registration and the cost associated with qualifying a Supplier for EDI transactions on the Company's system.

**9.2 Consolidated Bill Fee.** Suppliers who elect to have the Company bill for Supplier Charges will be required to pay a fee of \$0.25 per Consolidated NGDC bill.

**9.3 Creditworthiness Evaluation Fee.** Suppliers may be required to pay a fee of ninety-two dollars (\$92.00) (C) for each financial fitness evaluation that the Company deems reasonably necessary to determine whether a supplier's creditworthiness has materially changed as described in Rule 7.13 with such payments to be limited to two (2) in any twelve (12) month period.

**9.4 Usage Data Supply Fee.** At the request of the Supplier, the Company will supply twelve (12) months of historical usage data for no charge. Any additional historical information requested will be provided, if available, for a fee of ninety two dollars (\$92.00) per provision.

**9.5 Technical Support and Assistance Fee.** The Company is under no obligation to provide technical support or assistance to Suppliers, with the exception of questions raised and research requests by a licensed Supplier in support of its natural gas supply business. The Company, if reasonably able, will provide five (5) hours of such assistance per month at no charge. Any additional technical assistance will be provided at the rate of forty-six dollars (\$46) per hour.

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support of the disputed amount.

**11.8 Billing for Supplier Obligations to Other Parties.** The Company will assume no responsibility for billing other parties except as stated otherwise in this Tariff or upon mutual agreement.

**11.9 Guarantee of Delivery and Payments.**

(C)

Before a Supplier, licensee or applicant can render service, or continue to render service under this Tariff, the Company shall require any Supplier, licensee or applicant applying for Coordination Services, or a Supplier currently receiving such services, as applicable, to provide Security.

Each NGS shall provide Security in a form and amount that is satisfactory to the Company in accordance with 52 Pa. Code § 62.111. The amount of Security shall be determined according to the requirements set forth in Rule 11.10. The Security must be sufficient to financially safeguard the Company in situations where an NGS fails to deliver natural gas supply service to its customers. The Security also must be sufficient to financially safeguard the Company in situations where the NGS does not pay undisputed charges due under this Tariff. In each of these situations, the Company must be able to immediately access and take title to the Security.

The following types of Security are acceptable to the Company:

1. Cash deposit;
2. Irrevocable letter of credit;
3. Performance bond;
4. Escrow account;
5. Corporate, parental or other third-party guarantee;
6. Surety bond;
7. Netting any gas supply sales that the NGS has made to the Company and for which the Company owes payment to the NGS against the amount of Security required;
8. Real or personal property may be provided by NGSs with annual operating revenues less than \$1 million, as long as: 1) the NGS provides a verified statement demonstrating clear title and certifying that the property has not been pledged as collateral or otherwise encumbered to any other legal or financial transactions; 2) the NGS provides a current appraisal report of the market value of the property; and 3) the NGS provides an acceptable security interest in the property; or
9. Any other financial instrument acceptable to the Company.

The Company, at any time, may require a Supplier to post a cash deposit or increase an amount of existing Security if the Company determines that the Supplier is no longer Creditworthy according to the requirements set forth in Rules 7.13 and 11.10.1.

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**11.10 Amount of Security.**

Each applicant, licensee or NGS must provide \$35,000 to the Company before it will be allowed to provide natural gas supply services in the Company's service territory (the "Initial Security").

After the Company has reasonably determined that the financial risk of a licensed NGS has increased, the Company may adjust the Initial Security amount above \$35,000 in accordance with the criteria set forth in Section 11.10.1.

**11.10.1 Adjustments to the Amount of Security.**

The Company may conduct financial analyses of each Supplier or licensee to determine if changes in creditworthiness have occurred, which may warrant an adjustment of the Initial Security amount. The amount of Initial Security required may be modified based on one or more of the following criteria:

1. The NGS's past operating history on all other NGDC systems, including the duration that the NGS operated on each system, the number of customers served on each system and any supply reliability problems that occurred on each system.

2. An NGS's credit reports.

3. The number and class of customers being served.

4. Information that materially affects a NGS's creditworthiness such as:

a) a change in the NGS's recent operating history on the Company's system or on other NGDC systems that has materially affected NGDC system operation or reliability. Such a change may occur when a Supplier fails to deliver natural gas supply to meet its customers' needs or fails to comply with NGDC operational flow orders as defined at 52 Pa. Code § 69.11;

b) a change in the NGS's credit reports that materially affects its creditworthiness. Creditworthiness could be materially affected when 2 of the following credit rating companies change the Supplier's credit rating:

1. Dun & Bradstreet

2. Standard & Poors Rating Services Inc.

3. Transunion LLC

4. Equifax Inc.

5. Experian Information Solutions, Inc.;

c) a significant change, defined as a 25% change over a 30-day period, in the number and class of customers served, the volume of gas delivered or the average unit price of natural gas;

d) a change in operational or financial circumstances that materially affects a NGS's creditworthiness.

This can occur when 2 of the following investment rating companies change the NGS's rating of its issued securities from an investment grade or good rating to a speculative or moderate credit risk rating and vice versa:

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1. Standard & Poors Rating Services Inc.
2. Moody's Investment Service, Inc.
3. Fitch, Inc.
4. A.M. Best Company, Inc.
5. DBRS, Inc.;

e) a change in the NGS's demonstrated capability to provide the necessary volume of natural gas to meet its customers' needs that materially affects the Company's system operation or reliability. Such a change may occur when the NGS fails to deliver natural gas supply sufficient to meet its customers' needs on 5 separate occasions within a 30-day period or fails to comply with the Company's operational flow orders.

5. The NGS's demonstrated capability to provide the volume of natural gas necessary to meet its customers' needs.

After it is reasonably determined by the Company that an adjustment to the amount of Security provided by the Supplier is required, the Company will adjust the Security amount in accordance with the Company's calculation formula comprised of the following three components:

- a. The Company's exposure for gas "borrowed" by the Supplier, adjusted for a colder than normal winter,
- b. Pipeline demand charges in the event of a Supplier default, and
- c. The Company's exposure related to honoring the Supplier's contract price within a billing period.

Each of these components is detailed below:

- a. "Borrowed" gas component:  $[(\text{projected volumes for NOV-MAR in most recent 1307(f) filing}) \times (10\% \text{ adjustment for a design winter}) - (\text{delivered gas per ADCQ for NOV-MAR})] \times (\text{most recent Company 1307(f) filing average delivered commodity cost for NOV-MAR})$ .
- b. Pipeline capacity demand charges component:  $[\text{ADCQ} \times 90 \text{ days} \times (\text{most recent Company 1307(f) filing pipeline demand charges})]$ .
- c. Interim billing period component:  $[\text{JAN's volume} \times 30 \text{ days} \times 10\% \text{ assumed difference in Supplier's contract price to the Company's commodity cost}]$ .

When the Company determines that a Security adjustment is required, it will provide written notice to the NGS. The NGS shall comply with the Company's determination within 5 business days after the NGS is served with such notice. If the NGS disagrees with the Company's determination, it shall file a dispute in accordance with Section 11.11.3.6. However, the NGS is still required to post the full amount of adjusted Security requested by the Company within 5 business days after the NGS is served with the Company's notice.

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An NGS also may request, in writing, that the Company adjust its Security amount according to the criteria set forth in section 11.10.1. The Company will provide a written response to the NGS within 5 business days after receipt of the written request from the NGS. In the event that the Company agrees with the NGS's request, the NGS shall post the Security adjustment within 5 business days after the NGS is served with the Company's determination. In the event that the NGS disagrees with the Company's determination, it may file a dispute in accordance with Section 11.11.3.6. However, if the Company requires an adjustment of Security, the NGS is still required to post the full amount of adjusted Security within 5 business days after the NGS is served with the Company's notice.

**11.10.2 Credit Information.** In addition to any information otherwise required hereunder, a Supplier shall be required to provide to the Company such credit information as the Company may reasonably request. The Company will report the Supplier's credit history with the Company to a national credit bureau.

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involved in the dispute) are informed of the results of the investigation. The Supplier shall provide all information needed by the Company relating to the Customer's complaint within five (5) business days of the Company's request. In the event, however, the dispute relates only to the Supplier's Charges or actions, the Company shall refer the Customer directly to the Supplier for resolution of the dispute.

**11.11.3.4 Non-Residential Informal Complaints.** The Company shall process all informal complaints in accordance with the Public Utility Code and the Commission's applicable orders and regulations. In the event the informal complaint relates to the Company's charges or actions or to both the Company's and the Supplier's Charges or actions, the Company will coordinate with the Customer's Supplier so that the proper information is submitted to the Commission's Bureau of Consumer Services within the time period required by the Commission. In the event, however, the informal complaint relates only to the Supplier's Charges or actions, the Supplier shall have the sole responsibility to submit the proper information.

**11.11.3.5 Collections.** In accordance with the Company's credit and collection policies, a Customer's outstanding prior balances will not be transferred when a Customer switches from the Company to a Supplier, switches from one Supplier to another, switches from a Supplier to the Company or when the Customer chooses another billing option, unless mutually agreed to by the Company and the Supplier.

**11.11.3.6 Supplier Disputes As to Form and Amount of Security.**

(C)

An applicant, licensee or NGS shall notify the Company in writing of any dispute(s) it may have regarding the form and amount of Security or the adjustment of Security requested by the Company. If a resolution cannot be reached within 30 days after the Company receives the written notice, the applicant, licensee or NGS may do any of the following:

1. Request that the Secretary of the PUC initiate an informal mediation and resolution process. If the NGS is dissatisfied with the PUC's decision at the informal level, it may petition to appeal the decision or file a Formal Complaint.
2. File a Formal Complaint at the Commission.
3. File a Petition challenging the criteria used by the Company to determine the form and amount of Security requested or the Security adjustment amount.

If a NGS initiates a dispute or files a complaint related to an adjustment in Security by the Company, the following requirements exist during the pendency of the dispute:

1. The NGS is required to provide and maintain the full adjusted Security amount to the Company until the dispute is resolved.
2. The NGS must continue to operate in accordance with the Company's system operations and business rules and practices.
3. The NGS must continue to deliver natural gas volumes necessary to fulfill customer needs and provide customer support services.
4. The Company shall allow the NGS to continue to operate on the Company's system.

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#### 14.0 BREACH OF COORDINATION OBLIGATIONS

**14.1 Breach of Obligations.** The Company or an NGS shall be deemed to be in material breach of its Coordination Obligations under the Coordination Services Agreement, and under this Tariff, upon its failure to observe any material term or condition of this Tariff, including any Rule and Regulation, Charge or Rider thereof.

**14.2 Events of Breach.** A material breach of Coordination Obligations hereunder, as described in Rule 14.1, shall include, but is not limited to, the following:

- a. NGS's failure to maintain its PaPUC Supplier license.
- b. NGS's failure to maintain the required Security; (C)
- c. NGS's failure to make full payment of any undisputed Coordination Services Charges in the time prescribed.
- d. The involuntary bankruptcy/insolvency of the NGS, including, but not limited to, the appointment of a receiver, liquidator or trustee of the NGS, or a decree by such a court adjudging the NGS bankrupt or insolvent or sequestering any substantial part of its property or a petition to declare bankruptcy so as to reorganize the NGS;
- e. NGS's filing of a voluntary petition in bankruptcy under any provision of any federal or state bankruptcy law, or its consent to the filing of any bankruptcy or reorganization petition against it under any similar law or, without limiting the generality of the foregoing, an NGS's admission in writing of its inability to pay its debts generally as they become due or an NGS's consent to the appointment of a receiver, trustee or liquidator of it, or of all, or any part of, its property; or
- f. NGS's unexcused failure to deliver its ADDQ for two (2) or more days within any thirty (30) day period.

**14.3 Cure and Default.** In the event that either the Company or a NGS materially breaches any of its Coordination Obligations, the other party shall provide the breaching party with notice of the breach. If the breach is not cured or rectified within fifteen (15) days of the receipt of such notice, the breaching party shall be deemed in Default of the Agreement; except that, if a NGS fails to deliver its ADDQ as provided in Rule 14.2 f. above, or a NGS fails to restore its required Security within three (3) business days, each such failure constitutes a Default (C) and the Company may, without further notice, immediately terminate the Coordination Services Agreement without prejudice to any remedies at law or in equity available to the Company by reason of the Default. Notwithstanding the above, the NGS shall have the right during said fifteen (15) day cure period to obtain an order from the Commission preventing or staying termination.

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# PECO ENERGY COMPANY

## GAS SERVICE TARIFF

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COMPANY OFFICE LOCATION

2301 Market Street  
Philadelphia, Pennsylvania 19101

For List of Communities Served, See Page 2.

Issued: March 11, 2011

Effective: March 12, 2011

**ISSUED BY: D. P. O'BRIEN - President**  
**PECO Energy Distribution Company**  
**2301 MARKET STREET**  
**PHILADELPHIA, PA. 19101**

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# NOTICE.

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**LIST OF CHANGES MADE BY THIS SUPPLEMENT**

**RULES AND REGULATIONS (2nd Revised Page No. 31 Original Page 31A, Original Page No. 31B)**

Pursuant to Commission Order at Docket Nos. L-2008-2069115 and I-00040103F-0002 - Licensing Requirements for Natural Gas Suppliers.

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24. REQUESTS FOR ENERGY EFFICIENCY INFORMATION

Upon request of a Customer for energy efficiency information, the Company will provide a copy of its then current residential or commercial energy efficiency guide, as applicable.

25. CREDITWORTHINESS OF A NATURAL GAS SUPPLIER (NGS) SERVING HIGH VOLUME TRANSPORTATION CUSTOMERS

(C)

(a) Unless a mutual agreement is reached between the Company and a NGS, a NGS seeking to deliver natural gas supplies to the Company for the account of one or more of the Company's non-exempt HVT Customers must satisfy at least one of the following financial criteria:

- (1) The NGS has a minimum credit rating of 3A2 from Dun & Bradstreet, a minimum bond rating of Baa2 from Moodys, or a rating of BBB from Standard & Poor's, Fitch ICBA or Duff & Phelps; or
- (2) The NGS has furnished the Company with an irrevocable and binding form of security (e.g., surety bond, letter of credit, security interest in collateral acceptable to the Company, a corporate guaranty, or a written affirmation of financial support by a parent or affiliated company) issued by an obligor that has a minimum credit rating of 3A2 from Dun & Bradstreet, a minimum bond rating of Baa2 from Moody's, a minimum bond rating of BBB from Standard & Poor's, Fitch ICBA or Duff & Phelps, or, for an insurance company, an A.M. Best credit rating of no less than A-and in which the obligor designates the Company as the sole beneficiary and which otherwise is in a form and amount acceptable to the Company; or
- (3) The NGS provides the Company with a cash deposit and/or a cash escrow arrangement in an amount and form acceptable to the Company, and agrees, in a writing furnished to the Company, to be responsible, as between the Company and the Supplier, for the payment of all deficient and excess delivery charges assessed in accordance with the Company's Gas Transportation Service – General Terms and Conditions that are caused by the NGS' excess or deficient deliveries. Such responsibility on the part of the NGS would not relieve the HVT Customer of its responsibility for the payment of the same charges in accordance with the Gas Transportation General Terms and Conditions. If the NGS is determined to have been responsible for the excess/deficient delivery and if the NGS pays the related charges to the Company, then the HVT customer would be relieved of such responsibility.

For the purposes of this subsection (a), the "amount acceptable to the Company" shall be a dollar amount (\$US) equal to the monetary value obtained by multiplying 45 days of average daily winter usage for each HVT Customer supplied by the NGS times the then effective Commodity Charge.

- (4) The NGS has furnished the Company with an acceptable amount of Security in the form of an escrow account or nets any gas supply sales that the NGS has made to the Company and for which the Company owes payment to the NGS against the amount of Security required. The amount of Security contained in either situation must be in an amount equal to the monetary value obtained by multiplying 45 days of average daily winter usage for each HVT Customer supplied by the NGS times the then effective Commodity Charge.

(C) Denotes Change

RULES AND REGULATIONS – Continued

(C)

- (b) The Company shall have the right to assess each NGS' creditworthiness on an annual basis. As such, the Supplier is required to furnish annual audited financial statements to the Company. In the event the Company does not receive any annual audited financial statements, unaudited financial statements may be acceptable. The Company also may perform more than one financial analysis for any Supplier during the course of the year when the Company reviews financial information of a Supplier and determines, in the Company's judgment that the Supplier's creditworthiness has materially changed.
- (c) The amount of Security required may be modified based on one or more of the following criteria:
1. The NGS's past operating history on all other NGDC systems, including the duration that the NGS operated on each system, the number of customers served on each system and any supply reliability problems that occurred on each system.
  2. An NGS's credit reports.
  3. The number and class of customers being served.
  4. Information that materially affects a NGS's creditworthiness such as:
    - a) a change in the NGS's recent operating history on the Company's system or on other NGDC systems that has materially affected NGDC system operation or reliability. Such a change may occur when a Supplier fails to deliver natural gas supply to meet its customers' needs or fails to comply with NGDC operational flow orders as defined at 52 Pa. Code § 69.11;
    - b) a change in the NGS's credit reports that materially affects its creditworthiness. Creditworthiness could be materially affected when 2 of the following credit rating companies change the Supplier's credit rating:
      1. Dun & Bradstreet
      2. Standard & Poors Rating Services Inc.
      3. Transunion LLC
      4. Equifax Inc.
      5. Experian Information Solutions, Inc.;
    - c) a significant change, defined as a 25% change over a 30-day period, in the number and class of customers served, the volume of gas delivered or the average unit price of natural gas;
    - d) a change in operational or financial circumstances that materially affects a NGS's creditworthiness. This can occur when 2 of the following investment rating companies change the NGS's rating of its issued securities from an investment grade or good rating to a speculative or moderate credit risk rating and vice versa:
      1. Standard & Poors Rating Services Inc.
      2. Moody's Investment Service, Inc.
      3. Fitch, Inc.
      4. A.M. Best Company, Inc.
      5. DBRS, Inc.;
    - e) a change in the NGS's demonstrated capability to provide the necessary volume of natural gas to meet its customers' needs that materially affects the Company's system operation or reliability. Such a change may occur when the NGS fails to deliver natural gas supply sufficient to meet its customers' needs on 5 separate occasions within a 30-day period or fails to comply with the Company's operational flow orders.

(C) Denotes Change

RULES AND REGULATIONS – Continued

(C)

5. The NGS's demonstrated capability to provide the volume of natural gas necessary to meet its customers' needs.

(d) After it is reasonably determined by the Company that an adjustment to the amount of Security provided by the Supplier is required, the Company will adjust the Security amount in accordance with subsection (a)(3).

(e) The NGS shall have the affirmative obligation to inform the Company in writing of any material change in its financial condition in a timely manner.

(f) Notwithstanding anything to the contrary stated in this Rule 25, an NGS shall not be creditworthy if, for any reason, it owes a past due amount to the Company that is not subject to a good faith billing dispute and the payment has not been received by the Company within two business days after the Company has provided a past due notice, or if so determined by order of the Pennsylvania Public Utility Commission.

(g) When the Company determines that a Security adjustment is required, it will provide written notice to the NGS. The NGS shall comply with the Company's determination within 5 business days after the NGS is served with such notice. If the NGS disagrees with the Company's determination, it shall file a dispute in accordance with subsection (h). However, the NGS is still required to post the full amount of adjusted Security requested by the Company within 5 business days after the NGS is served with the Company's notice.

An NGS also may request, in writing, that the Company adjust its Security amount according to the criteria set forth in subsection (c). The Company will provide a written response to the NGS within 5 business days after receipt of the written request from the NGS. In the event that the Company agrees with the NGS's request, the NGS shall post the Security adjustment within 5 business days after the NGS is served with the Company's determination. In the event that the NGS disagrees with the Company's determination, it may file a dispute in accordance with subsection (h). However, if the Company requires an adjustment of Security, the NGS is still required to post the full amount of adjusted Security within 5 business days after the NGS is served with the Company's notice.

(h) An applicant, licensee or NGS shall notify the Company in writing of any dispute(s) it may have regarding the form and amount of Security or the adjustment of Security requested by the Company. If a resolution cannot be reached within 30 days after the Company receives the written notice, the applicant, licensee or NGS may do any of the following:

1. Request that the Secretary of the PUC initiate an informal mediation and resolution process. If the NGS is dissatisfied with the PUC's decision at the informal level, it may petition to appeal the decision or file a Formal Complaint.
2. File a Formal Complaint at the Commission.
3. File a Petition challenging the criteria used by the Company to determine the form and amount of Security requested or the Security adjustment amount.

If a NGS initiates a dispute or files a complaint related to an adjustment in Security by the Company, the following requirements exist during the pendency of the dispute:

1. The NGS is required to provide and maintain the full adjusted Security amount to the Company until the dispute is resolved.
2. The NGS must continue to operate in accordance with the Company's system operations and business rules and practices.
3. The NGS must continue to deliver natural gas volumes necessary to fulfill customer needs and provide customer support services.
4. The Company shall allow the NGS to continue to operate on the Company's system.

(C) Denotes Change

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PECO Energy Company

: DOCKET NOS. L-2008-2069115 &  
I-00040103 F-0002

**CERTIFICATE OF SERVICE**

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March 11, 2011

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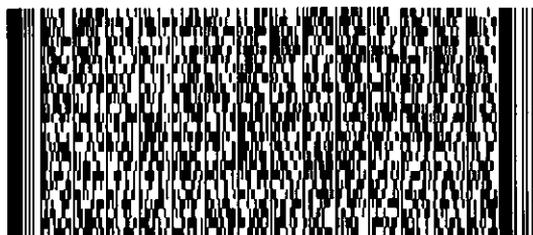
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