

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

DOCKET NO. R-2008-2028394

PECO Energy Company

Exhibit to Accompany
Direct Testimony of Amy E. Hamilton

RULES AND REGULATIONS - Continued

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~~12. SERVICE CONTINUITY - Continued~~

- (7) Large Customer. A customer with annual usage of at least 18,000 Mcf during the prior calendar year.
- (8) Natural Gas Emergency. Whenever the aggregate demand of firm service customers on the Company's system or portion of the Company's system, for any reason, exceeds or threatens to exceed the gas supply or capacity that is actually and lawfully available to the Company to meet the demands, and the actual or threatened excess creates an immediate threat to the Company's system operating integrity or the ability of the Company to satisfy the demand requirements of its Priority 1 Customers (including when continued delivery of gas to Customers would prevent the Company to arrange for the injection of gas into underground storage pools necessary for the protection of winter season supply requirements).
- (9) Non-Critical Use. Gas usage where natural gas is not the only feasible form of energy; i.e., where the Customer has alternate fuel capability.
- (10) Small Customer. A customer with annual usage of less than 18,000 Mcf during the prior calendar year.
- (12) System Maintenance Order ("SMO") - operational directive issued by the Company in its sole discretion to protect the operational integrity of its systems in terms of line pressure and adequacy of supply, which orders directly affect the quantity of gas to be delivered on the same gas day or other near-term gas days and may require a Customer or class of Customers, or a Customer's natural gas supplier or agent, to maintain, decrease or increase the quantity of natural gas delivered to the Company's system.
- (13) Plant Protection Use. Minimum usage of natural gas required to prevent physical harm to an industrial or commercial customer's facility, or danger to personnel at the facility, when the protection cannot be afforded through the use of an alternative fuel. Plant protection requirements includes usage necessary for the protection of the material in process as would otherwise be destroyed, but does not include deliveries required to maintain production.
- (14) Residential Use. Gas usage in a residential dwelling or unit for space heating, air conditioning, cooking, water heating,
or other domestic purposes.

d. Curtailment Process.

- (I) Reservation of Company Right to Curtail. The Company reserves the right to reduce or eliminate the availability of firm natural gas service to Customers during a natural gas emergency, on a system-wide or localized basis ("curtailment"), when, in the Company's sole judgment, curtailment of natural gas service is necessary to protect the integrity of service to Priority 1 customers and/or the Company's gas distribution system assets. When necessary, the Company may curtail service to Priority 1 customers.
- (2) Pre-Curtailment Procedures. To avoid curtailment of service, the Company will use reasonable business and operational efforts to interrupt all Priority 3 services; issue appropriate system maintenance orders (SMO) to HVT and LVT Customers, their Natural Gas Suppliers or other agents; *and/or* request customers to institute voluntary usage reductions.
- (3) Curtailment Directive. In the event that Pre-Curtailment Procedures are not practicable or fail to protect the integrity of service to Priority 1 customers and/or the Company's gas distribution system assets, the Company may issue a curtailment directive. The curtailment directive should be reasonably well-tailored by the Company to require Customers of lower priority services to reduce usage by an amount calculated by the Company, as necessary to minimize the potential threat to public health and safety and to minimize the effect of a natural gas emergency on the integrity of service to Priority 1 customers and/or the Company's gas distribution system assets, but may be issued without regard to priorities of service. During the period specified by the curtailment directive, Customers directed to curtail usage must comply with the directive or face physical shut-off by the Company and/or the assessment of penalties elsewhere set forth in this Rule 12.

(C) Denotes Change

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GAS TRANSPORTATION SERVICE - GENERAL TERMS AND CONDITIONS

(Applicable to: Rate TS-I Gas Transportation Service-Interruptible and
Rate TS-F Gas Transportation Service-Firm.)

1. TRANSPORTATION SERVICE

1.1 GENERAL. Transportation service shall consist of: the receipt of gas on behalf of a Customer; the *transportation* of gas through the Company's distribution facilities; and the delivery of equivalent quantities of gas to the Customer, adjusted for thermal correction and system losses where applicable.

Transportation service may also include Standby Sales Service to permit purchases of gas under one of the Company's retail sales rate schedules.

1.2 TERMS DEFINED. The following definitions shall apply throughout the transportation portion of this tariff:

RECEIVED/RECEIPT shall refer to gas tendered to the Company for the Customer's account at one or more of the interconnections between the Company and its interstate pipeline suppliers, or other specified location. The normal unit of measurement is the decatherm or mmBtu.

DELIVERED/DELIVERY shall refer to gas tendered to the Customer by the Company at the Customer's specified location. The normal unit of measurement is the Mcf.

USE/USAGE shall refer to gas actually consumed by the Customer at the specified location as measured by the Company's meter in Mcf.

DEFICIENT DELIVERIES shall refer to occurrences in which the Customer uses more gas than the quantity of transportation gas tendered by the Company for delivery.

EXCESS DELIVERIES shall refer to occurrences in which the Customer uses less than the quantity of gas tendered by the Company for delivery.

1.3 VOLUME ADJUSTMENT. The quantity of transportation gas received into the Company's distribution system for the Customer's account shall be: (a) reduced by 2.5 percent for system losses; and (b) adjusted for thermal correction determined by dividing the daily average Btu content per cubic foot of gas for the Company's system by a reference Btu content of 1,000 Btu per cubic foot. Where the transported gas can be delivered directly to the Customer without commingling with other system supplies, no reduction for system losses shall be made, and the thermal correction shall be based on the daily average Btu content of the pipeline to which the Customer is directly connected.

1.4 SUPPLY COST ADJUSTMENT. If the Company incurs any added gas supply cost in order to provide transportation service by displacement, or for other reasons, such additional cost will be charged to the Customer. Displacement occurs when a Customer, who is directly connected to one of the Company's pipeline suppliers, arranges for receipt of transportation gas on another pipeline to which the Customer is not directly connected. Revenues received by the Company in payment for added gas supply cost will be credited to firm sales Customers through the annual Sales Service Costs reconciliation (Section 1307[f]).

1.5 SERVICE AGREEMENT. The Customer will be required to execute a Transportation Service Agreement which will specify an initial Transportation Contract Quantity (TCQ) to be the maximum daily volume of gas, expressed in Mcf net of system losses where applicable, to be transported and delivered to the Customer. The agreement will also specify delivery locations, the election of Standby Sales Service, the commodity charge to be in effect for the term of the agreement, and any special provisions for service. The standard term for a Transportation Service Agreement shall be twelve months, unless the Company and the Customer agree to a shorter or longer term.

The TCQ shall not exceed the lower of (a) the capacity of the Company's metering and regulating equipment at the Customer's location; or (b) 110% of the maximum daily usage of the Customer during the twelve-month period prior to the execution of the Transportation Service Agreement, unless full documentation of new or additional gas usage capability is provided by the Customer. If a Customer chooses to designate an Agent to act on the Customer's behalf for scheduling, dispatching, billing and other administrative aspects of transportation service, such designation shall be made in the Transportation Service Agreement. The designation of an Agent shall not relieve the Customer of ultimate responsibility for payment for service or other obligations incurred under this tariff.

Every November 1 following execution of the Transportation Service Agreement, the Customer's TCQ shall be automatically adjusted by the Company to be 110% of the Customer's maximum daily usage during the preceding twelve-month period ending the September 30. The TCQ may also be adjusted by mutual agreement of the Customer and the Company.

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GAS TRANSPORTATION SERVICE - GENERAL TERMS AND CONDITIONS - Continued

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1.6 BUYER GROUP/LEAD CUSTOMER. A Buyer Group generally consists of up to ten individual Customers who voluntarily join together to obtain either firm or interruptible transportation service. The Company, at its discretion, may require all members of the Buyer Group to execute the same Transportation Service Agreement and make the same elections as to Standby Sales Service. One member of the Buyer Group may be designated by the Company as the Lead Customer who shall be responsible for the timely payment of all bills rendered to the Buyer Group, as well as all day-to-day dispatch scheduling coordination and administrative communication between the Company and all members of the Buyer Group. A member of one Buyer Group may not be a member of another Buyer Group. Eleven or more individual Customers may form a Buyer Group only upon specific agreement by the Company. Unless otherwise described, the term "Customer" as used throughout these general terms and conditions shall refer to an individual Customer or to a Buyer Group. The Company, at its discretion, may set the maximum Commodity Charge for a Buyer Group at the maximum which any member would be individually required to pay.

1.7 MINIMUM SIZE. The minimum total gas consumption capability required to be eligible for transportation service shall be 5,000 Mcf per year. This minimum shall apply to an individual Customer or to a Buyer Group which, in the aggregate, uses 5,000 Mcf of gas annually.

1.8 SOURCE OF GAS. Unless otherwise certified, all gas transported shall be presumed to be non-Pennsylvania produced gas. In order to qualify for billing as Pennsylvania produced gas, the Customer must provide an affidavit specifying the percentage by month of Pennsylvania produced gas to be transported during the term of the Service Agreement. The Customer is responsible to notify the Company of any change in the above percentage no later than the second working day after the conclusion of the billing month in which the change occurred.

2. BALANCING PROVISIONS

2.1 GENERAL. Transportation balancing is provided to adjust for the unavoidable minor variations between Customer usage and scheduled deliveries, and is not intended to function as a storage service or a standby sales service. Each Customer shall use best efforts to balance deliveries and usage at all times.

2.2 INTERRUPTED RECEIPTS. On days when no transportation gas is received for the Customer's account, all gas used by the Customer shall be billed as a purchase from the Company. For Customers which have elected Standby Sales Service, the usage shall be billed at the applicable rate. For Customers which have not elected Standby Sales Service, the usage shall be billed at the sum of the Variable Distribution Charge, Commodity Charge, Balancing Service Cost ("BSC") and, the Gas Cost Adjustment Charge ("GCA") of Rate GC and an additional \$25 per Mcf penalty charge will be imposed. Excess deliveries already being held for the Customer at the time of interruption will be tendered for delivery when transportation receipts resume. If the interruption of receipts continues for more than thirty days, the Company will tender excess deliveries as soon as practicable subject to operating and gas procurement considerations.

2.3 BALANCING CHARGE. A \$0.0-1-96-0500 per Mcf balancing charge shall be imposed on all transportation deliveries in a billing month. The Balancing Charge shall be reviewed and adjusted annually, as necessary, effective December 1 subject to approval of the new charge in the Company's annual purchased gas cost filing under 66 Pa. C.S.~1307(f)-.

2.4 ALLOWABLE DAILY VARIATION. In order to minimize the effect of transportation imbalances on the operation of the Company's system, the allowable daily variation between delivered quantities and Customer usage is ~ten percent of the TCQ cr 50 M=f.

If a Customer exceeds these limits, the Company shall: (a) in the case of excess deliveries, impose a \$0.25 per Mcf penalty charge on that portion of daily excess deliveries greater than the allowable daily variation and have the right to limit the receipt of Gas Transportation if a customer has excess deliveries greater than two times the Customer's TCQ; (b) in the case of deficient deliveries, have the right to bill such deficiency as a purchase from the Company. For Customers which have elected Standby Sales Service, the deficiency shall be billed at the applicable rate. For Customers which have not elected Standby Sales Service, the deficiency shall be billed at the sum of the Variable Distribution Charge, Commodity Charge, Balancing Service Cost ("BSC") and, the Gas Cost Adjustment Charge ("GCA") of Rate GC, and an additional \$25 per Mcf penalty charge will be imposed.

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GAS TRANSPORTATION SERVICE - GENERAL TERMS AND CONDITIONS - Continued

(Applicable to: Rate TS-I Gas Transportation Service-Interruptible and
Rate TS-F Gas Transportation Service-Firm.)

2.5 MONTHLY BALANCING FOR DEFICIENT DELIVERIES. If in any billing month a Customer has deficient deliveries, the volumes shall be billed at the applicable rate for those customers that have elected Standby Sales Service. For Customers which have not elected Standby Sales Service, the volumes shall be billed at the sum of the Variable Distribution Charge, Commodity Charge, Balancing Service Cost ("BSC") and Gas Cost Adjustment Charge ("GCA") of Rate GC, and an additional \$25 per Mcf penalty charge will be imposed.

2.6 MONTHLY BANKING SERVICE FOR EXCESS DELIVERIES. The Customer is permitted to carry over or bank a positive imbalance each month at the following monthly charges:

- (a) where the monthly excess does not exceed the greater of the TCQ or 50 Mcf - \$0.00 per Mcf;
- (b) for the monthly excess greater than the TCQ and less than twice the TCQ - \$1.00 per Mcf;
- (c) for the monthly excess greater than twice the TCQ and less than three times the TCQ - \$5.00 per Mcf;
- (d) for the monthly excess greater than three times the TCQ - \$10.00 per Mcf.

2.7 OPERATIONAL POOLING AND BALANCING SERVICE. Pooling is an optional service provided by PECO whereby marketers, producers of natural gas or brokers may aggregate natural gas supplies needed to serve more than one transportation customer. Individual customers assign their balancing rights and responsibilities under PECO's then current tariff to one marketer, producer or broker, which operates the pool (the Pool Operator). Each Pool Operator shall execute an Operational Pooling and Balancing Agreement. The allowable daily variation for a pool is 15 percent between delivered quantities and pool usage. The Pool Operator manages the day-to-day balancing for each pool member and will be responsible for any applicable penalty charges and cash-out transactions, though the transportation customer remains jointly liable with the pool operator for all charges.

3. STANDBY SALES SERVICE

3.1 GENERAL. Standby Sales Service permits the Customer to purchase gas under one of the Company's retail sales rate schedules when:

- (a) no transportation gas is received for the Customer;
- (b) transportation deliveries are deficient with respect to the Customer's usage;
- (c) a Customer elects to purchase gas from the Company in lieu of transportation service.

Transportation service under Rate TS-I automatically provides Standby Sales Service as described in Section 3.2 below. A Customer purchasing transportation service under Rate TS-F shall indicate in the Transportation Service Agreement if the Customer elects to have Standby Sales Service. If the Customer elects Standby Sales Service the Customer shall specify the election in the Transportation Service Agreement as well as the Standby Sales Quantity (SSQ) which is the maximum daily quantity of gas expressed in Mcf that the Customer may purchase. A penalty charge of \$25 per Mcf will be imposed on volumes taken in excess of the SSQ.

The Company maintains no current or future duty to provide retail sales service to a Customer who declines to elect Standby Sales Service. Availability of Standby Sales Service for new gas loads not previously served under a retail firm sales rate schedule is contingent upon the Company's ability to arrange the required supply contracts.

3.2 INTERRUPTIBLE SERVICE. Interruptible Standby Sales Service under Rate IS is automatically provided to the Customer in conjunction with Rate TS-I. The billing and all other conditions of service shall be as stated under the Rate IS tariff, except that the Customer Charge shall be waived.

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GAS TRANSPORTATION SERVICE - GENERAL TERMS AND CONDITIONS - Continued

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Rate TSoF Gas Transportation Service-Firm.)

3.3 FIRM SERVICE. All Rate TS-F Customers (as defined in Rule 222 C, z'rt.'-!!mont of
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Service under:

(a) Rate L, for Customers with an SSQ of at least 100 Mcf per day and gas consumption capability of at least
18,000 Mcf per year;

(b) Rate GC, for Customers with an SSQ of less than 100 Mcf per day or gas consumption capability of less
than 18,000 Mcf per year; except that the Standby Sales Service rate schedule applicable to a Buyer Group may, at
the Company's discretion, be set at the highest priced rate schedule under which any member would be individually
required to pay. The billing and all other conditions of service shall be as stated in the applicable rate schedule and
prorated for actual days of use, except that the Customer Charge shall be waived. In addition, the Customer shall
pay a monthly demand charge per Mcf of SSQ which is based on 110% of the average monthly demand charges
paid for the Company's firm supply. The monthly demand charge, prorated on an Mcf-per-day basis, will be credited
to all volumes purchased. Following the end of the Company's supply contract year (October 31), the Customer
shall also be assessed those minimum bill, take-or-pay, supply inventory, or other similar charges actually paid by
the Company, which are attributable to the annual volume reserved but not taken under this provision. Customers
that request to terminate Standby Sales Service after one or more years will be required to continue payment of the
monthly demand charge until the Company is able to reduce its purchase obligations or otherwise utilize the
released supplies.

4. OTHER PROVISIONS

4.1 METERING SEQUENCE. Where gas is used by the Customer under more than one of the Company's rate
schedules through the same meter location, the Company will assume for billing purposes that metered volumes
reflect deliveries in the following sequence where applicable:

- (a) Rate L, up to maximum daily quantity.
- (b) Rate TS-F, up to transportation contract quantity.
- (c) Rate TS-I, up to transportation contract quantity, or actual delivered quantity, whichever is lower.
- (d) Rate IS.

4.2 GAS SUPPLY SHORTAGE. The Company shall have the right to appropriate natural gas supplies to be
delivered by or on behalf of a Customer in the event of a natural gas emergency (as defined in Rule 12 of the Rules
and Regulations). In the event of a natural gas emergency, the Customer or its Natural Gas Supplier (NGS) shall
continue to deliver all available natural gas supplies to the Company for which the Customer is contracted to
purchase from the NGS. As compensation, the Company shall pay a price not in excess of the greater of the city
gate cost of the appropriated natural gas, including transportation charges up to the Company's city gate, or the
reasonable cost actually paid by the customer for delivered substitute energy, as documented by the Customer. The
Company may also provide compensation in kind at the discretion of the affected customer or NGS. Upon request,
the Customer shall demonstrate its cost of natural gas by making a copy and invoice of the contract with the natural
gas supplier available to the Company upon request.

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