

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

DOCKET NO. R-2008-2028394

PECO Energy Company

Exhibit to Accompany
Direct Testimony of Stephen R. Xander

PECO Energy Company**RULES AND REGULATIONS - Continued****6. SERVICE-SUPPLY FACILITIES**

6.1 COMPANY'S SERVICE-SUPPLY PIPE. The Company will install, own and maintain the required service-supply pipe with Company participation in the cost of installation determined by the Company in accordance with Section 7. Extensions.

6.2 SERVICE-SUPPLY ALTERATIONS. Changes in location of service-supply pipe, or meter and connections, for the accommodation of the Customer, shall be at the expense of the Customer.

6.3 STUB-SERVICE PIPE. When supply mains are in place, service-supply pipe to a point beyond the curb line may be installed, at the option of the Company, ahead of paving, providing the owners of the abutting property shall request and pay for such stub-service pipe. The cost of any such stub-service pipe may be refunded to the Customer over a term of years, upon such basis or condition as may be determined by the Company and specified in the contract for service.

6.4 METERS AND REGULATORS. The Company will provide, own and maintain any meter or meters, regulator or regulators, required in the supply of service.

7. EXTENSIONS

7.1 SUPPLY MAIN CONSTRUCTION. The Company will install, own and maintain gas supply mains located on the highway or on rights-of-way acquired by the Company and used or usable as part of the Company's general supply system.

7.2 OBLIGATION TO EXTEND. Subject to the terms set forth herein, the Company will extend its facilities to a new point of delivery without charge to a potential customer making a valid request for natural gas service. For additional details see Section 7.3, Service Pipe and Main Extension Policy.

7.3 SERVICE PIPE AND MAIN EXTENSION POLICY. When gas is available for sale to new customers under one of the Company's firm sales or transportation rate schedules, main and service facilities will be extended to an applicant in accordance with the following provisions:

A. General Economic Test. The Company will make a capital investment in the total cost of new main and service facilities to serve the customer (including, but not limited to, allocated overheads and related system modifications) up to an amount equal to five times the additional estimated base annual revenue (EBAR) attributable to the customer. The Customer shall pay the cost, if any, in excess of the above limit except for the cost of the meter installation. The "EBAR" (Estimated Base Annual Revenue) shall be calculated by multiplying the applicable Variable Distribution Charge rate (excluding any applicable gross receipts tax or certain fixed TCS costs) times the estimated annual consumption, plus the attributable portion of annualized Fixed Distribution Charge attributable to service line capital costs. (c)

B. Developments. Deposits shall be required in advance for all lot developments and for developers with unsatisfactory credit history. Amount of deposit shall equal the net capital investment with EBAR credit applied for known gas applications in buildings under construction or buildings not yet under construction but which are expected to be fully constructed within a three-year period from the date of the original contract signing. This requirement may be met by payment of at least 35% of the required contribution upon execution of the service agreement with the remainder subject to payment bond and interest (at prime rate) and is due no later than 6 months after PECO certifies, in writing, that service is available to the development. Lot developments are defined as tracts subdivided for sale as individual lots or groups of lots to more than one builder or buyer. (c)

C. Interruptible Service Installations. The Service Agreement for customers with interruptible service installations, including dual fuel installations, will include a provision for customer contributions and revenue guarantees based on the Company recovering its cost of investment in new mains and service facilities over a period not exceeding five years.

7.4 EXTENSION REFUNDS. Upon receipt of a written request by a Customer or developer made no earlier than the end of the third year following the date of an agreement for new gas service, PECO will: (a) review its records to determine if a refund is due the customer or the developer for additional customers that attached to the facilities paid for by the customer or the developer within three (3) years after the execution date of the agreement for new gas service, and (b) within sixty (60) days of receipt of such request, (i) make payment to the customer or developer of any refund due and (ii) provide the customer or developer with documentation substantiating the refund calculations and identifying the attached loads for which the developer was credited. Customer or developer contributions may be refunded if, within three years of the date of the service agreement, new loads are added to facilities paid for by the contributing Customer or developer. Revenue and cost computations shall simulate that the original and new loads were installed at the same time. Refunds will be paid only to the contributing Customer or developer, and the original contribution shall be the maximum refund. (c)

7.5 TAX ACCOUNTING OF CONTRIBUTIONS IN AID OF CONSTRUCTION AND CUSTOMER ADVANCES. All contributions in aid of construction (CIAC), customer advances or other like payments received by the Company shall constitute taxable income as defined by the Internal Revenue Service. The income taxes on such CIAC or customer advances will be segregated in a deferred account for inclusion in rate base in a future rate case proceeding. Such income taxes associated with CIAC or customer advances will not be charged to the specific contributor of the capital.