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May 11, 2011

VIA HAND DELIVERY

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

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 Valley Energy, Inc.

**Valley Energy, Inc. Supplement No. 1 to Tariff Gas Pa. P.U.C. No. 1S;
Docket No _____**

Dear Secretary Chiavetta:

Enclosed for filing with the Pennsylvania Public Utility Commission ("PUC" or "Commission") are the original and eight (8) copies of Valley Energy, Inc.'s ("Valley" or "Company"), Supplement No. 1 to Tariff Gas-Pa. P.U.C. No. 1S ("Supplement No. 1"). The purpose of Supplement No. 1 is to comply with the requirements of the Commission's Final Rulemaking Order entered on June 1, 2010, which became effective on January 1, 2011. Supplement No. 1 contains an issued date of May 11, 2011, and a proposed effective date of July 10, 2011.

On April 29, 2011, the Commission entered an Order, pursuant to the Petition of the Energy Association of Pennsylvania ("EAP"), granting an extension of time for certain Natural Gas Distribution Companies, including Valley, to file revised tariff pages consistent with 52 Pa. Code § 62.111. The PUC's April 29 Order, at Ordering Paragraph 2, provides that Valley should file revised tariff pages no later than May 2, 2011.

Valley is filing Supplement No. 1 at this time because it inadvertently overlooked the filing deadline, as the Company only recently became aware that revisions to Tariff Gas-Pa. P.U.C. No. 1S were necessary in order to comply with 52 Pa. Code § 62.111. The Company's Tariff Gas-Pa. P.U.C. No. 1S was approved on December 1, 2010, at Docket No. R-2010-2174470, as part of Valley's 2010 base rate case. Currently, only three Natural Gas Suppliers ("NGSs") are serving twelve (12) customers in Valley's service territory, and the revisions contained in Supplement No. 1 do not impact the Company's interactions with these NGSs. The NGSs have not been asked by Valley to provide a security support of its activities on the system. As a result, Valley did not

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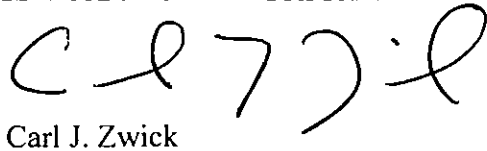
realize that modifications were necessary until the Company received the Commission's April 29 Order, which specifically listed Valley in Ordering Paragraph 2. Valley received this Order the week of May 2, 2011 (after the filing deadline). Valley immediately began its review of the Tariff and compilation of the Tariff Supplement. Valley, therefore, requests that Supplement No. 1 be accepted *nunc pro tunc*, so the Company may implement the required changes without further delay.

We regret any inconvenience this oversight has caused. As shown by the enclosed Certificate of Service, copies of this filing have been served on all parties, including the NGSs licensed in Valley's service territory. Please date stamp the extra copy of this transmittal letter and kindly return to us for our filing purposes. Thank you.

Very truly yours,

McNEES WALLACE & NURICK LLC

By



Carl J. Zwick

Counsel to Valley Energy, Inc.

CJZ/sds/km

Enclosures

c: Certificate of Service

**VALLEY ENERGY, INC. -
PENNSYLVANIA DIVISION**

NATURAL GAS SUPPLIER COORDINATION TARIFF

Filed in compliance with the Commission's
Final Rulemaking Order entered on June
17, 2010, and Order entered on April 29,
2011, at Docket No. L-2008-2069115.

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LIST OF CHANGES MADE BY THIS TARIFF

PAGES 6, 7, 7A, and 7B

Supplement No. 1 to Tariff Gas – Pa. P.U.C. No. 1S is filed in compliance with the Pennsylvania Public Utility Commission's Final Rulemaking Order entered on June 17, 2010, and Order entered on April 29, 2011, at Docket No. L-2008-2069115.

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(C) Indicates Change

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RATE SCHEDULE NGS – NATURAL GAS SUPPLIER (NGS) SERVICE

The provisions of this Rate Schedule shall apply to brokers, marketers and other Natural Gas Suppliers (collectively "NGSs") of natural gas that wish to either act as agents for Transportation Customers or deliver natural gas supplies to Company's city gate for Transportation Customers. NGSs wishing to sell and/or deliver gas on the Company's system will be required to sign a Service Agreement in which they will agree to be bound by the terms and conditions of this Rate Schedule as well as other applicable terms and conditions of the Company's Retail Tariff.

TERM OF CONTRACT

The term of the contract shall not be less than (3) years and from month to month thereafter unless terminated on thirty (30) days written notice.

CREDITWORTHINESS

Company shall not be required to permit any NGS to sell or deliver gas on its system unless the NGS is licensed by the Commonwealth of Pennsylvania within the last twelve months and meets Company's standards for creditworthiness.

A. INFORMATION TO DETERMINE CREDITWORTHINESS

Company may require that NGSs provide the following information:

1. Current financial statements (to include a balance sheet, income statement and statement of cash flow), annual reports, 10-K reports or other filings with regulatory agencies, a list of all corporate affiliates, parent companies and subsidiaries and any reports from credit agencies which are available. If audited financial statements are not available, then NGS also should provide an attestation by its chief financial officer that the information shown in the unaudited statements submitted is true, correct and a fair representation of the NGS's financial condition.

2. A bank reference and at least three trade references.

3. A written attestation from NGS that it is not operating under any chapter of the bankruptcy laws and is not subject to liquidation or debt reduction procedures under state laws, such as an assignment for the benefit of creditors, or any informal creditor's committee agreement. An exception can be made for an NGS who is a debtor in possession operating under Chapter XI of the Federal Bankruptcy Act but only with adequate assurances that any changes from the Company will be paid promptly as a cost of administration.

4. A written attestation from NGS that is not subject to the uncertainty of pending litigation or regulatory proceedings in state or federal courts which could cause a substantial deterioration in its financial condition or a condition of insolvency.

5. A written attestation from NGS that no significant collection lawsuits or judgments are outstanding which would seriously reflect upon the business entity's ability to remain solvent.

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RATE SCHEDULE NGS - NGS SERVICE (Continued)

A. INFORMATION TO DETERMINE CREDITWORTHINESS (Continued)

(C)

If NGS has an ongoing business relationship with Company, no uncontested delinquent balances should be outstanding for natural gas sales, storage, transportation services or imbalances previously billed by Company, and NGS must have paid its account during the past according to the established terms, and not made deductions or withheld payment for claims not authorized by contract.

NGS shall furnish Company at least annually, and at such other times as is requested by Company, updated credit information for the purpose of enabling Company to perform an updated credit appraisal. In addition, Company reserves the right to request such information at any time if Company is not reasonably satisfied with NGS' creditworthiness or ability to pay based on information available to Company at that time.

B. AMOUNT OF SECURITY

(C)

1. Initial Security – The Company may require an Initial Security equal to the difference between the cost of gas incurred by the Company as the Supplier of Last Resort and the amount payable by the NGS's retail gas customers during one billing cycle. The amount of this Initial Security may be adjusted if there is a significant change in the number of customers served, in the volume of gas delivered, or in the unit price of natural gas or a change in the class of customers being served by the NGS. A change over a consecutive 30-day period of 25% in the number of customers served, in the volume of gas delivered or in the unit price of natural gas would represent a significant change.

2. Increased Security Based on Operational or Financial Circumstances – The Company may require an Increased Security for financial or operational circumstances, including the following:

a) A change in an NGS's recent operating history on the Company's system or on other NGDC systems that has materially affected system operation or reliability. A change that could materially affect system operation or reliability may occur when an NGS fails to deliver natural gas supply sufficient to meet its customers' needs, or fails to comply with operational flow orders as defined in 52 Pa. Code § 69.11 (relating to definitions).

b) A change in an NGS's credit reports that materially affects the NGS's creditworthiness. NGS's creditworthiness could be materially affected when two of the following credit rating companies change the NGS's credit rating: Dun & Bradstreet; Standard & Poor's Rating Services, Inc.; TransUnion LLC; Equifax, Inc.; or Experian Information Solutions, Inc.

(C)

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RATE SCHEDULE NGS - NGS SERVICE (Continued)

B. AMOUNT OF SECURITY (Continued)

c) A change in operational or financial circumstances that materially affects an NGS's creditworthiness. NGS's creditworthiness could be materially affected when two 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: Standard & Poor's Rating Services, Inc.; Moody's Investment Service, Inc.; Fitch, Inc.; A. M. Best Company, Inc.; or DBRS, Inc.

d) The insolvency of an NGS may be evidenced by the filing by NGS, or any parent entity thereof, of a voluntary petition in bankruptcy or the entry of a decree or order by a court having jurisdiction adjudging the NGS, or any parent entity thereof, bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of the NGS, or any parent entity thereof, under the Federal Bankruptcy Act or any other applicable federal or state law, or appointing a receiver, liquidator, assignee, trustee, sequestrator, (or similar official) of the NGS or any parent entity thereof or of any substantial part of its property, or the ordering of the winding-up or liquidation of its affairs.

C. ADJUSTMENT REQUESTS

1. When the Company determines that an adjustment in the amount or type of security that an NGS must provide is warranted, the Company will provide notice of its determination to the NGS in writing. The Company's determination will be based on the criteria specified above. NGS shall comply with the Company's determination no later than 5 business days after the date that the NGS was served with notice of the Company's determination. If the NGS disagrees with the Company's determination, NGS may file a dispute with the Company. If a resolution is not reached within 30 days after the date that the Company is notified of the dispute, the NGS may pursue the remedies available under 52 Pa. Code § 62.111(8).

2. The NGS may request that the Company adjust the amount or type of security the NGS must provide. The NGS shall provide its request in writing to the Company. The request must be based on criteria specified above. The Company shall make its determination on the request and provide a written response to the NGS within 5 business days after the date that the request was made. When the Company agrees to the requested adjustment in security, the NGS shall post the security within 5 business days after the date that the NGS was served with notice of the Company's determination. When the NGS disagrees with the Company's determination, the NGS may pursue the remedies available under 52 Pa. Code § 62.111(8).

RATE SCHEDULE NGS - NGS SERVICE (Continued)

D. FORMS OF CREDIT SUPPORT

Company shall not be required to permit and shall have the right to suspend the ability to sell or deliver gas on its system of any NGS who is or has become insolvent, fails to demonstrate creditworthiness, fails to timely provide information to Company as requested, or fails to demonstrate ongoing creditworthiness as a result of credit information obtained; provided, however, NGS may continue to sell/deliver gas on the Company's system if NGS elects one of the following options:

1. Payment in advance or establishment of an escrow account for up to three (3) months service.
2. A bond or standby irrevocable letter of credit in form and substance satisfactory to Company in a face amount up to three (3) months service. The bond or letter of credit must be drawn upon a bank acceptable to Company.
3. A guaranty in form and substance satisfactory to Company, executed by a person that Company deems creditworthy, of NGS' performance of its obligations to Company.
4. Such other form of security as NGS may agree to provide and as may be acceptable to Company.
5. Small suppliers with annual operating revenues of less than \$1 million may provide security in accordance with 52 Pa. Code § 62.111(c)(3).

In the event NGS fails to immediately prepay the required three (3) months of revenue or furnish security, Company may, without waiving any rights or remedies it may have, and subject to any necessary authorizations, suspend NGS until security is received.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the participants listed below in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

VIA E-MAIL AND HAND DELIVERY

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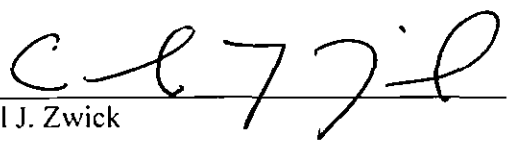
VIA E-MAIL AND FIRST-CLASS MAIL

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Carl J. Zwick

Counsel to Valley Energy, Inc.

Dated this 11th day of May, 2011, at Harrisburg, Pennsylvania.

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