

# Buchanan Ingersoll & Rooney PC

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November 6, 2015

## VIA HAND DELIVERY

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

Re: Application of Hudson Energy Services LLC for a Reduction in Level of Bonding  
Docket No. A- \_\_\_\_\_


Dear Secretary Chiavetta,

Enclosed please find Hudson Energy Services LLC's ("Hudson") Application for a Reduction in Level of Bonding ("Application"). This filing includes commercially valuable and sensitive information for which Hudson requests confidential treatment. Accordingly, enclosed is a version of the Application marked "Public Version" for inclusion in the public record, and a version of the Application marked "Confidential Version". **Hudson respectfully requests that the Confidential Version of its Application be maintained by the Pennsylvania Public Utility Commission ("Commission") under seal.** Also enclosed is a filing fee in the amount of \$350.00.

Copies of Hudson's Public Version of its Application have been served on each of the Public Advocates, the Commission's Bureau of Investigation and Enforcement, the Commission's Bureau of Technical Utility Services, the Commonwealth of Pennsylvania's Department of Revenue, the Office of Attorney General's Bureau of Consumer Protection and all Pennsylvania electric distribution companies as indicated in the attached Certificate of Service.

Please contact the undersigned if you have any questions regarding this filing. Thank you for your attention to this matter.

Very truly yours,



John F. Povilaitis

JFP/bb  
Enclosures  
cc: Certificate of Service

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**PUBLIC VERSION**

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**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Application of Hudson Energy Services LLC : Docket No. A-\_\_\_\_\_  
For A Reduction in Level of Bonding :

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**APPLICATION OF HUDSON ENERGY SERVICES LLC FOR A  
REDUCTION IN LEVEL OF BONDING**

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**I. Introduction**

1. Hudson Energy Services LLC ("Hudson" or "Company") is an electric generation supplier ("EGS") authorized by the Pennsylvania Public Utility Commission ("PaPUC" or "Commission") to provide electric generation supplier services to residential, small commercial, large commercial, industrial and governmental customers in the electric distribution company service territories within the Commonwealth of Pennsylvania. Hudson received its license to operate as an EGS by Order of February 11, 2011 at Docket No. A-2010-2192137. As a licensed EGS, Hudson is subject to the Commission's authority to require it to furnish a bond or other security in order to operate in the Commonwealth of Pennsylvania, pursuant to Section 2809(c) of the Public Utility Code ("Code") and Section 54.40 of the Commission's regulations. 66 Pa.C. S. §2809(c); 52 Pa.Code §54.40.

2. Section 54.40(d) of the Commission's regulations requires EGSs to provide a security level of 10% of the licensee's reported gross receipts. However, a licensee may seek approval from the Commission of an alternative level of bonding, commensurate with the nature and scope of its operations. 52 Pa.Code §54.40(d). According to the Commission's regulations, the purpose of the bond is to ensure payment of the Pennsylvania Gross Receipts Tax ("GRT") and to ensure the supply of electricity at the retail level in accordance with contracts, agreements or arrangements. 52 Pa.Code §54.40(f)(2). On July 24, 2014, after consideration of formal

comments submitted to a December 5, 2013 Tentative Order, the Commission found that requiring an EGS to post a bond or security in the amount of 10% of gross receipts after the first year of operation “may be excessive in relation to the risk intended to be secured, unnecessarily burdening EGSs, and presenting a potential barrier to entry into Pennsylvania’s retail electric market.”<sup>1</sup> Therefore the Commission announced in the July 24, 2014 Order that it was adopting the policy of accepting applications by EGSs to reduce their level of bonding/security after the first year of operation to 5% of the EGS’s most recent 12 months of gross revenue or \$250,000, whichever is higher. In addition, the July 24, 2014 Order delegated authority to review uncontested requests for a reduction in the level of bonding to the Bureau of Technical Utility Services.<sup>2</sup>

3. Based on the July 24, 2014 Order, the Code, the Commission’s regulation at Section 54.40(d) and the following supporting material, Hudson respectfully requests that the Commission approve a reduction in its security requirement to 5% of its most recent 12 months of gross revenue.

## **II. Information Provided in Support of Bond Reduction Request**

4. Prior to filing this Application to reduce its bonding requirement, Hudson informally consulted with Commission staff to obtain guidance as to the appropriate information to support such a request, as was suggested by the Commission in the July 24, 2014 Order.<sup>3</sup> Based on that consultation, this Application includes Confidential Attachments 1 through 3. Confidential Attachment 1 provides Hudson’s gross revenues for the sale of electricity to retail customers in Pennsylvania for the most recent twelve (12) months.

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<sup>1</sup> *Public Utility Commission Bonding/Security Requirements for Electric Generation Suppliers; Acceptable Security Instruments*, Docket No. M-2013-2393141 (July 24, 2014) (“July 24, 2014 Order”) at 10.

<sup>2</sup> July 24, 2014 Order at 12-13.

<sup>3</sup> *Id.*

5. Confidential Attachment 2 is a Tax Status Letter of Good Standing obtained by Hudson from the Pennsylvania Department of Revenue (“DOR”).

6. Confidential Attachment 3 documents Hudson’s full compliance with the requirements of the Alternative Energy Portfolio Standards (“AEPS”) Act. This attachment shows compliance data for the most recent 12 month period (June 1 through May 31) taken from the report of the Statewide Administrator of the Pennsylvania AEPS Alternative Energy Credit Program, stating the compliance obligation for the most recent energy year.

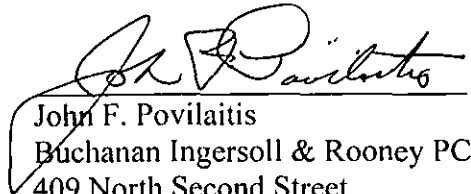
7. Based on the foregoing information which demonstrates that Hudson is in compliance with the AEPS Alternative Energy Credit Program and is in good standing with DOR, Hudson requests that its bonding requirement be reduced to 5% of its most recent twelve (12) months of gross revenue. This amount is reasonable and satisfies the requirements of Section 2809(c) of the Public Utility Code (“Code”) and Section 54.40 of the Commission’s regulations. 66 Pa.C. S. §2809(c); 52 Pa. Code §54.40.

### **III. Relief Requested and Conclusion**

8. Based on its standing as an EGS licensed to do business in Pennsylvania, the Commission’s regulations and the July 24, 2014 Order, Hudson respectfully requests that it be authorized to amend its current bond security on file with the Commission to 5% of its most recent twelve (12) months of revenue. Upon approval of this Application by the Commission, Hudson will submit a new bond in this amount that also complies with the Commission’s bond requirements for EGSs listed in Section 55.40(f) of the Commission’s regulations. 52 Pa.Code §54.40(f).

Respectfully submitted,

Dated: November 6, 2015

  
John F. Povilaitis  
Buchanan Ingersoll & Rooney PC  
409 North Second Street  
Suite 500  
Harrisburg, PA 17101  
(717) 237-4825

*Counsel for Hudson Energy Services LLC*

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# CONFIDENTIAL ATTACHMENT 1

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# CONFIDENTIAL ATTACHMENT 2

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# CONFIDENTIAL ATTACHMENT 3

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VERIFICATION

I, Charles C.S. Iannello, Vice President, U.S. Regulatory Affairs for Hudson Energy Services LLC, hereby verify that the information in the foregoing Application is true and correct to the best of my information, knowledge and belief. I understand that the statements are made subject to the penalties of 18 Pa. C.S. § 4904, relating to the unsworn falsification to authorities.



Signature

Dated: November 6, 2015

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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Hudson Energy Services LLC : Docket No. A-\_\_\_\_\_  
For A Reduction in Level of Bonding :

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the **public version** of the attached document upon the parties, listed below, in accordance with the requirements of § 1.54 (relating to service by a party).

Via First Class Mail

Small Business Advocate  
Commerce Building, Suite 1102  
300 North Second Street  
Harrisburg, PA 17101

Michael L. Swindler  
Wayne T. Scott  
Stephanie Wimer  
Pennsylvania Public Utility Commission  
Bureau of Investigation & Enforcement  
PO Box 3265  
Harrisburg, PA 17105-3265

John M. Abel  
Margarita Tulman  
Office of Attorney General  
Bureau of Consumer Protection  
15<sup>th</sup> Floor, Strawberry Square  
Harrisburg, PA 17120

Candis A. Tunilo  
Christy M. Appleby  
Kristine E. Robinson  
Office of Consumer Advocate  
555 Walnut Street  
5<sup>th</sup> Floor, Forum Place  
Harrisburg, PA 17101

Kirk House,  
Director of Office of Competitive Market  
Oversight  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
3rd Floor, Room N-309  
Harrisburg, PA 17105

Bureau of Technical Utility Services  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
3rd Floor  
Harrisburg, PA 17105

Legal Department  
West Penn Power d/b/a Allegheny Power  
800 Cabin Hill Drive  
Greensburg, PA 15601-1689

Citizens' Electric Company  
Attn: EGS Coordination  
1775 Industrial Boulevard  
Lewisburg, PA 17837

Regulatory Affairs  
Duquesne Light Company  
411 Seventh Street, MD 16-4  
Pittsburgh, PA 5219

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Commonwealth of Pennsylvania  
Department of Revenue  
Bureau of Compliance  
Harrisburg, PA 17128-0946  
Legal Department  
Attn: Paul Russell

PPL  
Two North Ninth Street  
Allentown, PA 18108-1179

Director of Customer Energy Services  
Orange and Rockland Company  
390 West Route 59  
Spring Valley, NY 10977-5300

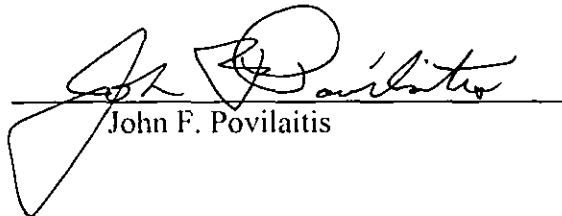
UGI Utilities, Inc.  
Attn: Rates Dept. – Choice Coordinator  
2525 N. 12<sup>th</sup> Street, Suite 360  
P.O. Box 12677  
Reading, PA 19612-2677

Dated this 6<sup>th</sup> day of November, 2015.

Legal Department  
First Energy  
2800 Pottsville Pike  
Reading, PA 19612

Wellsboro Electric Company  
Attn: EGS Coordination  
33 Austin Street  
P.O. Box 138  
Wellsboro, PA 16901

Manager Energy Acquisition  
PECO Energy Company  
2301 Market Street  
Philadelphia, PA 19101-8699



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