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July 12, 2011

BY FEDERAL EXPRESS

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

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

RE: TARIFF GAS – Pa. P.U.C. No. 2 – Supplement No. 106 – Replacement Pages
Issued March 11, 2011 effective March 12, 2011 Licensing Requirements for Natural
Gas Suppliers: SEARCH Final Order and Action Plan Natural Gas Supplier Issues
Docket Nos. L-2008-20619115 and I-00040103F-002

Dear Secretary Chiavetta:

This letter transmits for filing with the Commission an original and eight copies of
replacement pages to PECO Energy's Supplement No. 106 to Tariff Gas PA PUC No. 2,
Pages 31 and 31A, and Supplement No. 5 to PECO Energy Company Gas Choice Supplier
Coordination Tariff Pa PUC No. 1S Page 32A.

The replacement pages are necessary to reflect additional clarifying language per the
request of Pennsylvania Public Utility Commission Staff.

Would you please acknowledge receipt of the foregoing on the enclosed copy of this letter.
A business reply envelope is enclosed for your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Webster".

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

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, the amount and form of security shall be based on the criteria established in 52 Pa. Code §62.111. In accordance with §62.111, 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) Unless a mutual agreement is reached, 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

11.10 Amount of Security.

The amount and the form of the security, if not mutually agreed upon by the NGDC and the licensee, shall be based on the criteria established in 52 Pa. Code §62.111 and shall be applied in a nondiscriminatory manner. In accordance with the criteria set forth in §62.111, 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/decreased and no mutual agreement is reached, the Company may adjust the Initial Security amount above/below \$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:

(C) Denotes Change

PENNSYLVANIA PUBLIC UTILITY COMMISSION

PECO Energy Company

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

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing documents upon the participants, listed below:

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