



Friday, July 20, 2012

Rosemary A. Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth of Pennsylvania
PO Box 3265
Harrisburg, PA 17105-3265

RECEIVED

JUL 20 2012

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Re: Modification of EGS bonding requirement for American PowerNet Management, LP, License #A-110173

Dear Ms. Chiavetta:

On February 9, 2012, American PowerNet Management (APM) filed a petition requesting an alternative level of bonding. APM received a letter from the Pennsylvania Public Utility Commission from Mr. Paul Diskin dated April 16, 2012 notifying us that our petition, as filed, was incomplete and enumerated the items that APM needed to respond to, submit and / or perform to complete our previously submitted petition. APNM responded to each of the items on May 3, 2012. On June 26, 2012, APM received a follow-up letter from Mr. Anthony Rametta requesting that APM respond to a second data request from the Energy Industry Group. Our responses to this second data request are below.

14. In the Petition, the company states that it has real estate in Pennsylvania worth approximately \$500,000 and argues that the Commission could utilize the real estate as one element of any security required by the Commission, in addition to a bond of \$500,000.

The surety bond appears to be a secure form of financial security for the licensee's possible financial obligations as a licensee in Pennsylvania.

However, the same does not appear to be true for the real estate. It appears that many entities could attempt to seize the property for non-payment; including the Internal Revenue Service for non-payment of income and social security taxes, the Pennsylvania Department of Revenue for non-payment of state taxes not covered by the bond, local taxing authorities for non-payment of property and other local taxes, holders of the company's debt for non-payment of interest and vendors (telephone service, internet and computing services, office supplies, health and other forms of insurance, etc.) for non-payment for services rendered.

Please explain how APM can guarantee that the Commission would have priority over all other parties, including the parties identified above, if any or all of the real estate had to be liquidated to pay amounts due to the Commission and various other parties?

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APM Response: The real estate that APM is willing to provide to the Commission as surety secondary to the proposed letter or credit or surety bond is partially encumbered by a first lien in favor of the mortgagor, Sovereign Bank. Based on a recent appraisal the current market value at highest and best use of the property is estimated to be \$950,000. The amount of indebtedness outstanding which is secured by the real estate is \$496,000 leaving net unencumbered value of \$454,000. There are no other presently outstanding notes, liens or judgments of any kind encumbering the real estate.

APM has discussed this matter with the mortgagor. The mortgagor is willing to limit its rights in the real estate to the outstanding loan amount. APM is willing to give a residual, first lien position which will be evidenced by certain documents provided to the Commission in order to assure that the Commission and the Commonwealth has a priority position over other potential claimants.

15. Confirm that APM maintains a security with PJM. Describe the purpose of the security. What events would provoke payments from the security? Identify the type of entities (wholesale electricity suppliers, retail electricity suppliers, etc.) that could receive payments from the security?

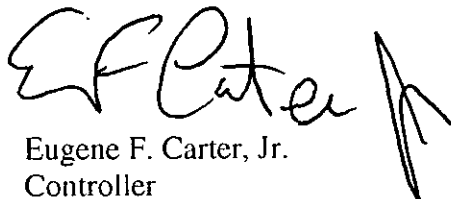
APM Response: APM does maintain security with PJM pursuant to its business activities. In connection with its active membership in PJM APM is obligated to operate within all the terms, conditions, agreements, policies and rules as stipulated and periodically amended by PJM including but limited to its credit and financial assurance policy. The PJM Credit Policy is extensive and thorough. The currently in effect Credit Policy is attached should the Commission desire to fully understand its provisions. Essentially, the only event that would provoke a payment from the security would be if APM failed to pay its obligations to PJM. Only PJM has rights in the currently posted security. At the present time APM has \$6 million of collateral at PJM. It should be noted that APM has no past due obligations to PJM nor has it ever been found in violation of PJM's credit requirements.

16. For each of the above questions, provide the name, job title, address and telephone number of each person that answered the question.

APM Response: Responses to each of the above questions as well as any data and/or Exhibits provided have been prepared by Eugene F. Carter, Jr., Controller, American PowerNet Management, LP, 45 Commerce Drive, Wyomissing, PA 19610. Mr. Carter's telephone number is 610-372.8500.

I, Eugene F. Carter, Jr., hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief, and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. §4904 (relating to unsworn falsification to authorities).

Should any additional information be required from us please let me know.


Eugene F. Carter, Jr.
Controller

FedEx **NEW Package**
Express **US Airbill**

FedEx
Tracking
Number

8003 2444 7670

Form
ID No. 0215

Recipient's Copy

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Tracking Number

800324447670

Sender's Name EUGENE F. CARTEG, JR Phone 610 372-8500

Company AMERICAN POWER NET

Address 45 COMMERCE DR
Dept./Floor/Suite/Room

City WYOMISSING State PA ZIP 19610-103B

2 Your Internal Billing Reference

3 To
Recipient's Name ROSEMARY Chiquetta Phone 717 722-7777

Company PA Public Utility Commission

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FedEx Priority Overnight
Next business morning. Friday shipments will be delivered on Monday unless SATURDAY Delivery is selected.

FedEx Standard Overnight
Next business afternoon. Saturday Delivery NOT available.

2 or 3 Business Days

NEW FedEx 2Day A.M.
Second business morning. Saturday Delivery NOT available.

FedEx 2Day
Second business afternoon. Thursday shipments will be delivered on Monday unless SATURDAY Delivery is selected.

FedEx Express Saver
Third business day. Saturday Delivery NOT available.

5 Packaging * Declared value limit \$500

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No Signature Required
Package may be left without obtaining a signature for delivery.

Direct Signature
Someone at recipient's address may sign for delivery. Fee applies.

Indirect Signature
If no one is available at recipient's address, someone at a neighboring address may sign for delivery. For residential deliveries only. Fee applies.

Does this shipment contain dangerous goods?

No Yes Yes
One box must be checked. As per attached Shipper's Declaration. Shipper's Declaration not required. Dry Ice Dry Ice, 9, UN 1845 x _____ kg. Cargo Aircraft Only

7 Payment Bill to:

Enter FedEx Acct. No. or Credit Card No. below. Obtain recip. Acct. No.
 Sender Acct. No. in Section I will be billed Recipient Third Party Credit Card Cash/Check

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