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| PUC logo | COMMONWEALTH OF PENNSYLVANIA  PENNSYLVANIA PUBLIC UTILITY COMMISSION  P.O. BOX 3265, HARRISBURG, PA 17105-3265 |  |

April 8, 2016

Docket No. M-2013-2393141

TO ALL INTERESTED PARTIES:

Re: Guidance on Electric Generation Supplier Licensee Financial Security

In order to maintain an Electric Generation Supplier (EGS) license, the Commission requires an EGS to file an **original** bond, or other security, approved by the Commission, to ensure the EGS’s financial responsibility under Section 2809(c) of the Public Utility Code. The term EGS can encompass a variety of electric generation related services such as:

* generator
* generation supplier that takes title to energy,
* marketer
* broker
* aggregator

Each license certificate issued by the Commission contains a delineation of the approved service.

Renewal of Financial Security

The Commission's regulations at 52 Pa. Code §54.40(d) require the security level, or bond amount, for each licensee to be 10% of the licensee's **most recent** 4 quarters of gross receipts. However, since an EGS Marketer/Broker licensee does not normally have gross receipts, EGS Marketer/Brokers are typically required to maintain a security level of $10,000.

When a bond, or other financial security, is filed, the Commission’s Secretary’s Bureau and the Bureau of Technical Utility Services (TUS) review and approve the financial security. As part of the review, TUS verifies that the EGS’s financial security is set at the correct level. Again, TUS uses the gross receipts for the most recent four quarters to perform the review.

In order to provide Commission staff adequate time to review and approve the financial security, EGSs are required to file the renewal of their currently approved security **at least** thirty (30) days prior to current security’s expiration date.

When filing an original bond, letter of credit, continuation certificate, amendment, or other financial instrument, EGSs must use the most recent template on the Commission’s website at <http://www.puc.pa.gov/general/onlineforms/doc/EGS_Lic_App.doc>. The template was most recently revised and posted to the website on March 10, 2016. Original financial instruments must display “wet” signatures or digital signatures, preferably in blue ink, and display a “raised seal” or original notary stamp. If the documentation filed is not an original, it will be rejected by the Secretary’s Bureau and returned.

Reduction of Financial Security

On July 24, 2014, the Commission entered an Order that allowed EGSs to request a reduction in their security level to 5% of the EGS’s most recent 12 months of gross receipts or $250,000, whichever is higher. Please be advised that EGSs that received approval for a bond/security reduction from 10% to 5%, the security reduction is only effective for one year. It may be renewed annually by the Commission.

To be eligible for the renewal, your company must provide annual documentation of its eligibility for a bond reduction at least (90) days prior to the current security’s expiration date. Such documentation should include but may not be limited to:

* a petition for renewal, filed with the Commission’s Secretary’s Bureau,
* a $350 filing fee,
* proof of service of the petition on the statutory advocates and affected EDCs,
* a Tax Letter of Good Standing from the Department of Revenue, and
* the company’s gross receipts for the most recent four quarters.

In the event your company does not provide such documentation to the Commission, its bond reduction will cease and the bonding requirement will revert to 10% of gross receipts. This is pursuant to 52 Pa.Code Section 54.40(d).

Failure to file a renewal of the financial security may cause Commission staff to initiate a formal proceeding that may lead to cancellation an EGS license.

Finally, it is an EGS’s responsibility to file any name changes, changes in its current contact information or the structure of its company with the Commission.

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Sincerely,

Rosemary Chiavetta

Secretary

cc: Dan Mumford, Acting Director, OCMO

Robert F. Young, Deputy Chief Counsel, Law Bureau

Paul T. Diskin, Director, TUS