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PA PUBLIC UTILITY COMMISSION
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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Request of Consolidated Edison Solutions,
Inc. for a Reduced Financial Security
Requirement and Alternative Security
Instrument

Docket No. M-2013-2393141

**REQUEST OF CONSOLIDATED EDISON SOLUTIONS, INC. FOR A REDUCED
FINANCIAL SECURITY REQUIREMENT AND ALTERNATIVE SECURITY
INSTRUMENT**

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

Pursuant to the Commission's Final Order issued on July 24, 2014 in Docket M-2013-2393141, *Public Utility Commission Bonding/Security Requirements for Electric Generation Suppliers; Acceptable Security Instruments*, (hereafter referred to as "the Bonding Order"), Consolidated Edison Solutions, Inc. ("ConEdison Solutions") hereby respectfully requests approval to: (i) reduce its financial security requirement with the Commission to a level equal to 5 percent of ConEdison Solutions' most recent gross revenues for electricity sales in Pennsylvania and (ii) utilize a parental guarantee for this security requirement as permitted by the above referenced Final Order. In support of this request, ConEdison Solutions presents the following information.

ConEdison Solutions is a licensed Electric Generation Supplier ("EGS") operating in Pennsylvania serving all classes of customers. ConEdison Solutions was first licensed as an EGS in 1997 at Docket No. A-110055. ConEdison Solutions is currently satisfying the Commission's financial security requirements through a bond underwritten by

Traveler's Insurance Company, documentation for which is attached as Exhibit A. This bond expires on September 12, 2014. ConEdison Solutions is extending this bond for an interim period during the Commission's pending review of this Petition.¹ If this Petition is granted, ConEdison Solutions will replace this bond with the new form of security approved by the Commission.

Request for Reduced Financial Security Amount

In the Bonding Order, the Commission revised its policy for calculating an EGS's financial security requirement:

Therefore, we find that, after the first year of EGS operation, a security level of 5% of an EGS's most recent 12 months of revenue or \$250,000, whichever is higher, is adequate to meet the intended risks in most circumstances. Therefore, we announce our new policy that the bond or security for an EGS after the first year of operation should be in the amount of 5% of the EGS's most recent 12 months of revenue² or \$250,000, whichever is higher, as we find that this bonding/security amount is commensurate with the nature and scope of a typical EGS's operations.

(Bonding Order at 10-11)

Consistent with this new policy, ConEdison Solutions requests approval to lower the amount of required financial security to a level equal to 5% of ConEdison Solutions' most recent 12 months of gross revenue for Pennsylvania retail electricity sales. This amount is detailed in the attached Exhibit 1.

Request for Approval to Utilize a Parental Guarantee

¹ The renewal and extension of this bond is currently in process with the underwriter. Documentation for the renewed bond will be available by September 12, 2014.

² Previously, as a matter of internal practice, we used an EGS's reported gross receipts from the last annual reporting of those revenues and not necessarily the most recent 12 months of revenues to determine the bonding requirement for subsequent years of EGS operation. Since using the most recent 12 months of revenue is more accurate and more likely to protect against risk, especially in light of our new policy through this Order that lowers bonding/security requirements, we will ask each EGS to provide us with its most recent 12 months of revenue as an EGS requests to lower its bonding/security.

The Bonding Order permits the use of a corporate guarantee, including a parental guarantee, to satisfy the new financial security requirements for EGSs. The Bonding Order requires a demonstration of satisfactory credit standing for the entity posting the guarantee:

Parental or corporate guarantee, in a form acceptable to the Commission, where the parent or corporate relation maintains an investment-grade long-term bond rating from at least two of the four following rating agencies:

<i>Standard & Poors</i>	<i>BBB- or higher</i>
<i>Moody's Investors' Services</i>	<i>Baa3 or higher</i>
<i>Fitch IBCA</i>	<i>BBB- or higher</i>
<i>Duff and Phelps Credit Rating Company</i>	<i>BBB- or higher</i>

(Bonding Order at 14)

ConEdison Solutions requests approval to utilize a parental guarantee to satisfy 100% of its going forward financial security requirements with the Commission. ConEdison Solutions is a wholly owned subsidiary of Consolidated Edison, Inc (“Consolidated Edison”). The use of a parental guarantee for ConEdison Solutions is in the public interest. This form of financial security is more economical for ConEdison Solutions to obtain. The savings associated with this reduced cost will allow ConEdison Solutions to provide more competitive prices and invest in customer service, operational, and process improvements that will benefit consumers. The use of a parental guarantee will not erode the financial security protections for the Commonwealth. ConEdison Solutions’ parent company, Consolidated Edison, is a sound, financially stable institution. Consolidated Edison is a publicly traded entity (NYSE: ED) that is rated by the standard

corporate ratings agencies. Consolidated Edison's credit ratings meet or exceed the requirements specified in the Bonding Order as shown below and in the attached Exhibit 3:

S&P	A-
Moody's	A3
Fitch	BBB+

Conditional Request to Modify Current Bond Face Value

The Commission has not yet developed a form of guarantee for EGSs to utilize under the revised financial security requirements, however, ConEdison Solutions is aware that Commission staff is currently working on developing this form of guarantee. It is not known at this time when the form of guarantee will be available. If the form of guarantee becomes available and if this request is granted, ConEdison Solutions intends to immediately utilize a parental guarantee. However, in the event that the acceptable form of guarantee does not become available in the near term, ConEdison Solutions requests approval to reduce the face value of its current bond to 5% of its most recent annual gross revenues (as shown in Exhibit 1). ConEdison Solutions would rely on this bond until such time as the form of corporate guarantee becomes available from the Commission.

Summary of Accompanying Documentation

The Bonding Order specifies the supporting documentation that EGSs are required to included in any request for a modifying security amount or revised security instrument. ConEdison Solutions is including all of the requested information as summarized below.

Item Required in Bonding Order	Documentation in this Petition
1) Provide its gross revenues for the sale of electricity to retail customers in Pennsylvania for the most recent 12 months;	Exhibit 1—12 month Gross Revenue Information
2) Provide the amount of gross receipts taxes that the EGS has prepaid towards its estimated revenues for the current calendar year;	Exhibit 2—Tax Documents, including GRT tax payment information, Sales Tax payment information and PA Corporate Tax information
3) Submit documentation, if the EGS is proposing to utilize a parental or corporate guarantee, that demonstrates that the guarantor meets the required long-term bond rating from two of the approved rating agencies;	Exhibit 3—Corporate Credit Ratings for ConEdison Solutions’ Parent Company, Consolidated Edison, Inc.
4) Provide available AEPS compliance data from the most recent 12 months; and	Exhibit 4—AEPS Compliance Information
5) Provide copies of all Department of Revenue documents that support the EGS’s request.	Exhibit 5—Certificate of Good Standing with the Commonwealth of Pennsylvania See also, Exhibit 2
6) \$350 fee	Check is Enclosed

For the above stated reasons, ConEdison Solutions requests approval to:

- (i) Reduce the level of its financial security to an amount equal to 5% of its most recent 12 months of gross revenues as shown in Exhibit 1;
- (ii) Utilize a parental guarantee as the form of financial security instrument to satisfy the Commission’s requirements, and
- (iii) Reduce the face value of ConEdison Solutions’ current bond to the amount approved in (i) for an interim period until such time as the form of corporate

guarantee is developed by the Commission.

Respectfully submitted,

Richard J. Hudson, Jr. / PFM

Richard J. Hudson Jr.
Director Regulatory and Legislative Affairs
Consolidated Edison Solutions, Inc.
Office: (412)-368-5988
hudsonr@conedsolutions.com

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Number

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Form
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Recipient's Copy

1 From 0/26/14

Date

Sender's Name DMITRY I L. CURTIS Phone 914 286-7000Company CON EDISON SOLUTIONS INCAddress 100 SUMMIT LAKE DR

Dept./Floor/Suite/Room

City VALHALLA State NY ZIP 10595-1339

2 Your Internal Billing Reference

3 To Recipient's Name Secretary Chavetta PhoneCompany PA PUCAddress 400 North Street

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Use this line for the HOLD location address or for continuation of your shipping address.

City Harrisburg State PAC ZIP 17120HOLD Weekday
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REQUIRED. NOT available for
FedEx First Overnight.HOLD Saturday
FedEx location address
REQUIRED. Available ONLY for
FedEx Priority Overnight and
FedEx 2Day to select locations.

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4 Express Package Service *To most locations.
NOTE: Service order has changed. Please select carefully.Packages up to 150 lbs.
For packages over 150 lbs., use the
FedEx Express Freight US Airbill

Next Business Day

- FedEx First Overnight
Earliest next business morning delivery to select locations. Friday shipments will be delivered on Monday unless SATURDAY Delivery is selected.
- 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

- 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 \$200

- FedEx Envelope* FedEx Pak* FedEx Box* FedEx Tube Other

6 Special Handling and Delivery Signature Options

- SATURDAY Delivery
NOT available for FedEx Standard Overnight, FedEx 2Day A.M., or FedEx Express Saver.
- 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?

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- No Yes As per attached Shipper's Declaration Yes Shipper's Declaration not required Dry Ice, 9 UN 1845 _____ x _____ kg
- Dangerous goods (including dry ice) cannot be shipped in FedEx packaging or placed in a FedEx Express Drop Box. 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 You'll be billed. Recipient Third Party Credit Card Cash/Check

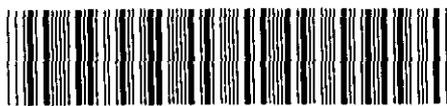
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Credit Card Auth.

*Our liability is limited to US\$100 unless you declare a higher value. See the current FedEx Service Guide for details.

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