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June 7, 2010

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

VIA HAND DELIVERY

RE: Philadelphia Area Industrial Energy Users Group v. PECO Energy Company (Gas); Docket Nos. R-2010-2161592 and C-2010-2177431

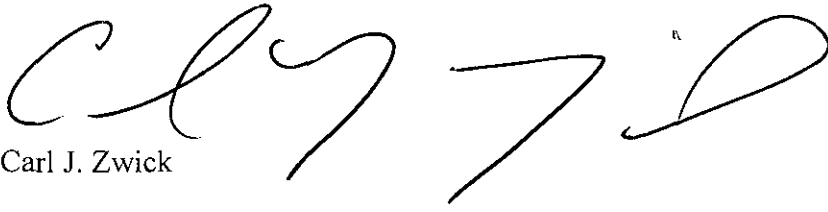
Dear Secretary Chiavetta:

Enclosed for filing with the Pennsylvania Public Utility Commission ("PUC" or "Commission") are the original and three (3) copies of the Prehearing Memorandum of the Philadelphia Area Industrial Energy Users Group ("PAIEUG"), in the above-referenced proceeding.

As shown by the attached Certificate of Service, all parties to this proceeding are being duly served. Please date stamp an extra copy of this transmittal letter and Prehearing Memorandum, and kindly return it for our filing purposes. Thank you.

Sincerely,

McNEES WALLACE & NURICK LLC

By 
Carl J. Zwick

Counsel to the Philadelphia Area Industrial
Energy Users Group

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CJZ/sds

Enclosures

- c: Administrative Law Judge Marlane R. Chestnut (via E-mail and First-Class Mail)
- Administrative Law Judge Christopher Pell (via E-mail and First-Class Mail)
- Certificate of Service

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	
	:	
v.	:	DOCKET NO. R-2010-2161592
	:	
PECO ENERGY COMPANY (GAS)	:	
PHILADELPHIA AREA INDUSTRIAL ENERGY USERS GROUP	:	DOCKET NO. C-2010-2177431
	:	
	:	
v.	:	
	:	
PECO ENERGY COMPANY (GAS)	:	

**PREHEARING MEMORANDUM OF THE PHILADELPHIA AREA
INDUSTRIAL ENERGY USERS GROUP**

As requested by Administrative Law Judges ("ALJs") Marlane R. Chestnut and Christopher Pell in their May 21, 2010, Prehearing Conference Order, the Philadelphia Area Industrial Energy Users Group ("PAIEUG") hereby submits this Prehearing Memorandum.

I. HISTORY OF THE PROCEEDING

On March 31, 2010, PECO Energy Company ("PECO" or "Company") filed with the Pennsylvania Public Utility Commission ("PUC" or "Commission") Supplement No. 92 to Tariff Gas-Pa. P.U.C. No. 2 ("Supplement No. 92"), which requests a general rate increase of approximately \$43.8 million over its present annual revenues. PECO's filing includes the Direct Testimony of several witnesses, responses to filing requirements, and documentation regarding the Company's proposals.

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On May 20, 2010, PAIEUG filed a Complaint in this proceeding. A description of PAIEUG is set forth in Paragraph 5 of the Complaint. A Prehearing Conference has been scheduled in this proceeding for June 9, 2010, before ALJs Chestnut and Pell.

II. ANTICIPATED ISSUES AND SUB-ISSUES

PAIEUG's preliminary review of the Company's filing indicates the need for the Commission to investigate at least the following issues:

- (a) whether the size of the requested rate increase is appropriate;
- (b) whether the expenses claimed by PECO were prudently incurred;
- (c) whether the allocation of the proposed increase among customer classes is just, reasonable, and non-discriminatory;
- (d) whether the return on equity proposed by PECO results in a fair rate of return;
- (e) whether the rate design and rate structure proposed by PECO are appropriate;
- (f) whether PECO's claimed Cost of Service Study ("COSS") is accurate and legitimate; and
- (g) whether PECO's proposal to implement a Smart Meter Cost Recovery ("SMRC") Rider, including the underlying justification for a potential natural gas smart meter system and the design of such a surcharge, is just and reasonable.

III. PROPOSED WITNESSES

PAIEUG is still evaluating whether it will present any witnesses in this proceeding. If PAIEUG determines that it will present such witnesses, PAIEUG will inform the ALJs and the other parties as soon as possible. PAIEUG intends to participate in this proceeding through the submission of discovery, cross-examination of other parties' witnesses, and the submission of briefs, exceptions and reply exceptions, if necessary.

IV. PROPOSED SCHEDULE AND DISCOVERY RULES

PAIEUG will cooperate with the ALJs and the parties at the Prehearing Conference to develop an appropriate procedural schedule and discovery rules in accordance with the Commission's regulations and any directives issued by the ALJs.

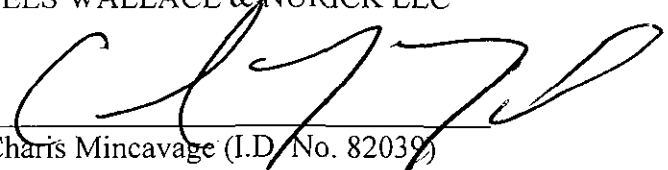
V. POSSIBILITY OF SETTLEMENT

PAIEUG is willing to continue to participate in discussions with the other parties to amicably resolve the issues in this proceeding.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By



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Counsel to the Philadelphia Area Industrial
Energy Users Group

Dated: June 7, 2010

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the participants listed below in accordance with the requirements of Section 1.54 (relating to service by a participant).

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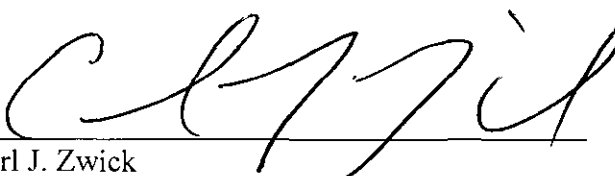
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Craig Vorwald
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Carl J. Zwick

Dated this 7th day of June, 2010, in Harrisburg, Pennsylvania.