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DEC 15 2010

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

December 15, 2010

VIA FEDERAL EXPRESS

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

**Re: Petition of PECO Energy Company for Approval to Procure Tier II Alternative
Energy Credits and Additional Tier I and Solar Alternative Energy Credits
Docket No. P-2010-2210975**

**Petition of PECO Energy Company for Approval to Apply Banked Alternative
Energy Credits in AEPS Reporting Years 2011-2012 and 2012-2013
Docket No. P-00072260**

Dear Secretary Chiavetta:

Enclosed for filing are an original and three copies of **PECO Energy Company's Prehearing Memorandum** in the above-captioned matter. Pursuant to 52 Pa. Code § 1.11(a)(2), the enclosed Prehearing Memorandum shall be deemed filed on December 15, 2010, which is the date it was deposited with Federal Express as shown on the Federal Express delivery receipt.

As evidenced by the attached Certificate of Service, copies of the Prehearing Memorandum are being served on all parties of record. Also enclosed is an additional copy of this letter and the Prehearing Memorandum, which we request be date-stamped as evidence of filing and returned to us in the stamped, pre-addressed envelope provided.

Rosemary Chiavetta, Secretary
December 15, 2010
Page 2

If you have any questions, please contact me directly at 215.963.5384.

Very truly yours,



Kenneth M. Kulak

KMK/tp
Enclosures

c: Certificate of Service (w/o enclosures)

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

VIA ELECTRONIC AND FIRST CLASS MAIL

Honorable Cynthia Williams Fordham
Administrative Law Judge
Pennsylvania Public Utility Commission
Office of Administrative Law Judge
801 Market Street, Suite 4063
Philadelphia, PA 19107

Honorable Christopher Pell
Administrative Law Judges
Pennsylvania Public Utility Commission
Office of Administrative Law Judge
801 Market Street, Suite 4063
Philadelphia, PA 19107

**Re: Petition of PECO Energy Company for Approval to Procure Tier II Alternative
Energy Credits and Additional Tier I and Solar Alternative Energy Credits
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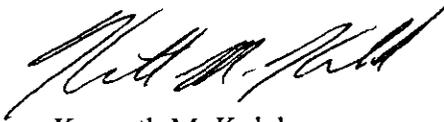
**Petition of PECO Energy Company for Approval to Apply Banked Alternative
Energy Credits in AEPS Reporting Years 2011-2012 and 2012-2013
Docket No. P-00072260**

Dear Judge Fordham and Judge Pell:

On behalf of PECO Energy Company, enclosed please find its Prehearing Memorandum in the above-referenced proceedings.

As evidenced by the attached Certificate of Service, copies of the enclosed document are being served on all parties of record to this matter.

Very truly yours,



Kenneth M. Kulak

KMK/tp
Enclosures

cc: Certificate of Service

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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DEC 15 2010

PETITION OF PECO ENERGY :
COMPANY FOR APPROVAL TO :
PROCURE TIER II ALTERNATIVE :
ENERGY CREDITS AND ADDITIONAL :
TIER I AND SOLAR ALTERNATIVE :
ENERGY CREDITS :

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

DOCKET NO. P-2010-2210975

PETITION OF PECO ENERGY :
COMPANY FOR APPROVAL TO APPLY :
BANKED ALTERNATIVE ENERGY :
CREDITS IN AEPS REPORTING YEARS :
2011-2012 AND 2012-2013 :

DOCKET NO. P-00072260

**PECO ENERGY COMPANY'S
PREHEARING MEMORANDUM**

INTRODUCTION

Pursuant to the December 14, 2010, Prehearing Order of Administrative Law Judges Cynthia Williams Fordham and Christopher P. Pell, PECO Energy Company ("PECO" or the "Company") hereby submits its Prehearing Memorandum in the above-captioned proceedings.

I. HISTORY OF THE PROCEEDING

On November 17, 2010, PECO, pursuant to the Alternative Energy Portfolio Standards Act of 2004, 73 P.S. § 1648.1 *et seq.* ("AEPS Act" or the "Act") and in accordance with the Order of the Pennsylvania Public Utility Commission (the "Commission") approving its default service program for the period January 1, 2011 through May 31, 2013,¹ petitioned the Commission to approve (1) an annual procurement of supplemental alternative energy credits

¹ See *Petition of PECO Energy Company for Approval of its Default Service Program and Rate Mitigation Plan*, Docket No. P-2008-2062739 (Order entered June 2, 2009) ("*Default Service Order*").

(“Supplemental AECs”) to meet AEPS requirements for the portion of PECO’s residential load served by PECO through block energy contracts (the “PECO Share”) and to replace any AECs not delivered through PECO’s previously approved full requirements default service and AEC procurements; (2) an initial procurement of AECs to satisfy PECO’s anticipated “Tier II” AEPS requirements for the PECO Share for AEPS Reporting Years 2010-2011 and 2011-2012 and for the portion of PECO’s industrial customer default service load that PECO will be serving on a contingency basis during AEPS Reporting Year 2010-2011; (3) a second procurement to satisfy PECO’s anticipated Tier II AEPS requirements for the PECO Share for AEPS Reporting Year 2012-2013; and (4) the purchase of additional AECs PECO may require for AEPS compliance and the sale of excess AECs PECO may possess through independent third-party auctions and brokers experienced in the purchase and sale of AECs.

In its November 17, 2010 petition (the “Supplemental AEC Petition”), PECO requests the Commission to approve a Request for Proposals process and form AEC Purchase and Sale Agreement based on previous processes and agreements approved by the Commission and to authorize PECO to procure (or sell excess) AECs through independent third-party auctions or brokers experienced in the purchase and sale of AECs. PECO further seeks approval of the recovery of all of PECO’s costs associated with each procurement related to and in compliance with the processes as approved by the Commission. All costs and proceeds (including losses, if any) from any AEC purchases or sales associated with the PECO Share will be credited to residential default service customers. Any other costs and proceeds (including losses, if any) associated with the purchase or sale of AECs associated with AEPS requirements for residential, commercial or industrial default service will be credited to the applicable default service

procurement class consistent with PECO's existing default service and AEPS tariff provisions and the *Default Service Order*.

On November 17, 2010, PECO submitted a second petition (the "AEC Banking Petition") to the Commission for approval to apply non-solar, Tier I AECs obtained and "banked" during its "cost recovery period" under the AEPS Act towards PECO's AEPS requirements in the first two full AEPS reporting periods following the end of its cost recovery period on January 1, 2011 (i.e., June 1, 2011-May 31, 2012 and June 1, 2012-May 31, 2013) instead of the seventeen month period specified in the Commission's AEPS regulations (i.e., January 1, 2011-May 31, 2011 and June 1, 2011-May 31, 2012).² As explained in the AEC Banking Petition, PECO's non-solar Tier I AEC procurements were approved by the Commission prior to issuance of final AEPS regulations, and PECO's proposed application of banked AECs is consistent with a waiver from future AEPS regulations previously granted by the Commission as well as the avoidance of the expense of unnecessary transactions for the sale and replacement of otherwise expiring AECs which PECO would otherwise have to undertake for AEPS compliance.

PECO served the Supplemental AEC Petition on all parties to PECO's default service program proceeding at Docket No. P-2008-2062739. At the time of filing of this Prehearing Memorandum, PECO has been served with Notices of Intervention and Public Statements on behalf of the Office of Consumer Advocate ("OCA") and the Office of Small Business Advocate ("OSBA"), both dated December 7, 2010.

With respect to the Banking Petition, which was served on all parties to the original Commission proceedings in which the Commission approved PECO's procurement and banking

² See 52 Pa. Code § 75.69(b) (providing that "[a]n EDC and EGS may bank alternative energy credits certified during a cost-recovery period for use in the reporting period in which the cost-recovery period expires, and the reporting period that immediately follows.").

of non-solar “Tier I” AECs during its cost recovery period, PECO was served with a Notice of Intervention and Public Statement on Behalf of the OCA on December 7, 2010.

II. STATEMENT OF ISSUES

The main issues before the Commission are.

1. Whether PECO’s proposed procedures and cost recovery for Supplemental AECs set forth in PECO’s Supplemental AEC Petition are consistent with the *Default Service Order*, reasonable, and in the public interest; and

2. Whether PECO may apply “banked” AECs obtained in Commission-approved procurements during its AEPS cost recovery period in the first two twelve-month periods following the end of its cost recovery period instead of the seventeen month period under the Commission’s AEPS regulations, consistent with a waiver from final AEPS regulations granted by the Commission in its original approval of PECO’s early procurement of AECs during its cost recovery period.

III. WITNESSES

In the course of the preparation of its Prehearing Memorandum, PECO has consulted with both the OCA and the OSBA and believes that a joint stipulation can be prepared to address the above issues based upon the material presented in the Petitions. Therefore, PECO does not propose to present any witnesses in this proceeding but reserves its right to do so to address any testimony that may be submitted by other parties.

IV. PROPOSED SCHEDULE

In its Petitions, PECO sought expedited treatment in order to have the AEPS-related procurement procedures and application of banked AECs described in the Petitions in place well

before the end of the AEPS 2010-2011 reporting period, when it must meet AEPS requirements deferred during its cost recovery period. In light of the anticipated filing of a stipulation by all parties, PECO proposes the following procedural schedule for both proceedings:

November 17, 2010	Petition Filings
December 15, 2010	Prehearing Conference
December 30, 2010	Joint Stipulation
January 14, 2011	Recommended Decision

V. PROPOSED DISCOVERY PROCEDURES

At this time, PECO does not anticipate conducting any discovery. Should such discovery be conducted, PECO proposes that the Commission's existing rules should apply and anticipates working with the other parties to resolve any discovery requests expeditiously.

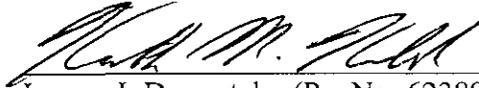
VI. POSSIBILITY OF SETTLEMENT

As discussed *supra*, PECO has already engaged in discussions with both the OCA and OSBA and believes that the issues presented in both Petitions can be addressed by a joint stipulation between the parties for submission to the Administrative Law Judges.

VII. CONCLUSION

WHEREFORE, PECO Energy Company submits this Prehearing Memorandum and respectfully requests that the Administrative Law Judges approve the proposed schedule herein.

Respectfully submitted,



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For PECO Energy Company

December 15, 2010

BEFORE THE
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PETITION OF PECO ENERGY : PA PUBLIC UTILITY COMMISSION
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BANKED ALTERNATIVE ENERGY : DOCKET NO. P-00072260
CREDITS IN AEPS REPORTING YEARS :
2011-2012 AND 2012-2013 :

CERTIFICATE OF SERVICE

I hereby certify that I have this day served copies of **PECO Energy Company's**
Prehearing Memorandum, in the manner indicated below, in accordance with the requirements
of 52 Pa. Code § 1.54:

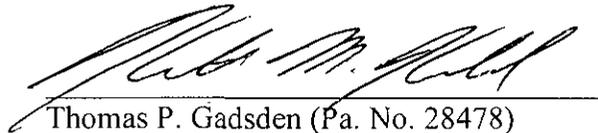
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Counsel for PECO Energy Company

December 15, 2010

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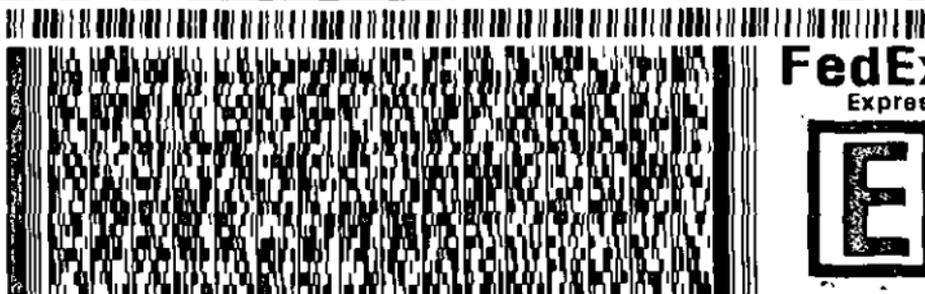
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PHILADELPHIA, PA 19103
UNITED STATES US

BILL SENDER

TO **ROSEMARY CHIAVETTA, SECRETARY**
PA PUBLIC UTILITY COMMISSION
COMMONWEALTH KEYSTONE BUILDING
400 NORTH STREET
HARRISBURG PA 17120

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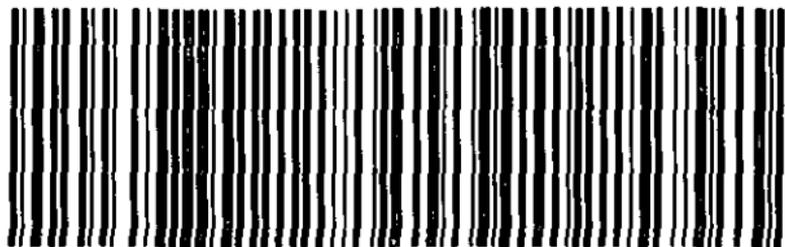


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