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February 29, 2012

**VIA E-FILING &  
OVERNIGHT MAIL**

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

**Re: Handling of Auction Revenue Rights for the PECO Default Supply Share  
Docket No. P-2008-2062739**

Dear Secretary Chiavetta:

The purpose of this letter is to provide formal notification to the Commission of PECO Energy Company's ("PECO") plans for handling Auction Revenue Rights ("ARRs") for the 2012-2013 PJM planning year.

By way of background, as an outcome of the approved settlement in PECO's 2008 Default Service Procurement ("DSP") case, 75% of PECO's Residential default supply is provided under full requirements contracts, and the remaining 25% of supply is provided through a combination of block energy and spot market purchases. As PECO is the load serving entity for the 25% block and spot Residential default supply, it has the option to receive ARR's in the annual PJM Financial Transmission Rights ("FTR") auction process and receive an allocation of revenues (or charges) from the annual FTR auction. An allocation of revenues would represent positive economic value. An allocation of charges would represent negative economic value.

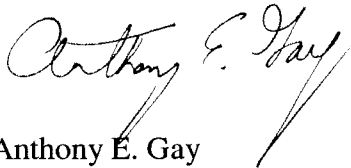
PECO has considered its options to participate in the upcoming 2012-2013 ARR/FTR market and intends to implement a conservative ARR strategy that is likely to yield net positive economic benefits for Residential DSP customers. PECO, and its consultant, analyzed historic FTR auction outcomes and historic congestion patterns between the PECO Zone and generation units that have historically served load in the PECO Zone. PECO and its consultant have also used a wholesale market dispatch model to forecast ARR values for the 2012-2013 PJM planning year.

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Similar to its participation in last year's FTR auction, PECO's intent is to participate only in Stage 1 of the ARR process and to obtain the value of the ARRs that it is successful in receiving from its nominations. PECO plans to flow the value of the ARRs to Residential DSP customers in the Generation Supply Adjustment.

Please do not hesitate to contact me should you have any questions regarding this letter.

Very truly yours,

A handwritten signature in black ink that reads "Anthony E. Gay". The signature is written in a cursive style with a long, sweeping underline.

Anthony E. Gay  
Associate General Counsel

**Via Electronic Mail and First-Class Mail**

Certificate of Service

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PETITION OF PECO ENERGY** :  
**COMPANY FOR EXPEDITED** :  
**APPROVAL OF ITS DEFAULT** : **Docket No. P-2008-2062739**  
**SERVICE PROGRAM AND RATE** :  
**MITIGATION PLAN** :

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served copies of the foregoing document in the above-captioned matter in the manner as set forth below, in accordance with the requirements of 52 Pa. Code § 1.54:

**VIA ELECTRONIC MAIL AND FIRST CLASS MAIL**

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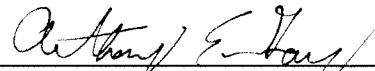
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Dated: February 29, 2012



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