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March 12, 2012

Via Electronic Filing

Rosemary Chiavetta, Secretary
PA Public Utility Commission
PO Box 3265
Harrisburg, PA 17105-3265

Re: Petition of PECO Energy Company for Approval of
Its Default Service Program; Docket No. P-2012-2283641

Dear Secretary Chiavetta:

On behalf of Direct Energy Services, LLC ("Direct Energy") enclosed please find the original of its Prehearing Conference Memorandum along with the electronic filing confirmation page with regard to the above-referenced matter. Copies to be served in accordance with the attached Certificate of Service.

Sincerely yours,



Deanne M. O'Dell, Esq.

DMO/lww
Enclosure

cc: Hon. Dennis Buckley, ALJ w/enc.
Certificate of Service w/enc.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of Direct Energy's Prehearing Conference Memo upon the participants listed below in accordance with the requirements of § 1.54 (relating to service by a participant).

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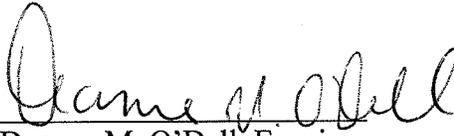
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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition Of PECO Energy Company For :
Approval Of Its Default Service Program : Docket No. P-2012-2283641
:

**PREHEARING MEMORANDUM
OF DIRECT ENERGY SERVICES, LLC**

Pursuant to 52 Pa. Code §§ 5.72-5.75 and the Prehearing Conference Order dated March 6, 2012, and subject to the granting of the Petition to Intervene filed by Direct Energy Services, LLC (“Direct Energy”) in the above captioned proceeding, Direct Energy submits this Prehearing Memorandum.

I. REPRESENTATION

Direct Energy’s attorneys in this matter are:

Daniel Clearfield, Esquire
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Direct Energy agrees to accept electronic service to all attorneys listed above to be followed up with one hard copy of the documents served.

II. PRESENTLY IDENTIFIED ISSUES

On January 13, 2012, PECO Energy Company (“PECO”) filed its petition for approval of its proposed default service plan for the period of June 13, 2013 through May 31, 2015. PECO proposes to address a number of issues related to this plan including the terms and conditions

under which the power will be procured and how the costs of the procurements will be recovered. PECO also proposes a number of retail market enhancement programs including an opt-in auction and customer referral programs. Finally, PECO includes proposals related to time of use and the cost or credit associated with Auction Revenue Rights (ARRs). All of these issues will impact how default service will be structured, the resulting rate and the impact on the competitive market.

Direct Energy is licensed by the Commission at No. A-110164 to provide electricity and related services to all classes of retail customers throughout Pennsylvania, including PECO's service territory.

The Commission's action in this proceeding will impact how Direct Energy is able to compete in this market. Importantly, the structure for the procurement process will influence the default service rate and the retail enhancement programs will impact the level of retail competition that will be experienced in PECO's market during this period and, thus, on the ability of Direct Energy to do business in this market. Because of Direct Energy's direct interest in the outcome of these proceedings, it filed a Petition to Intervene which is pending.

Direct Energy has identified the following issues that should be examined in this proceeding:

- The effectiveness of PECO's default service plan to promote retail market development for the benefit of consumers in their service territory.
- Whether PECO's overall default service supply plan is consistent with the Commission's regulations and the Public Utility Code.
- Whether PECO's proposed schedule of competitive procurements and lead times prior to delivery are consistent with Commission regulations and the Public Utility Code.
- Whether PECO's proposed market enhancements are reasonably structured and sufficient to achieve applicable legal and regulatory goals and enhance the development of a competitive market.

Direct Energy reserves the right to address other issues identified through its continued review and analysis of the filing or raised by other parties.

III. WITNESSES

Direct Energy continues to evaluate whether to present witnesses in this proceeding and reserves the right to present a witness as may be necessary depending on the course of the proceeding. Direct Energy will provide the Presiding Officer as well as the other parties in this matter reasonable notice if necessary.

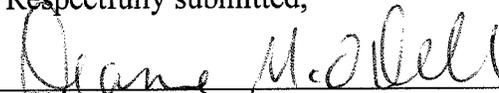
IV. LITIGATION AND DISCOVERY RULES

While Direct Energy prefers the procedural schedule proposed by RESA, Direct Energy is amenable to working with the other parties to adopt a reasonable litigation schedule and/or necessary modifications to the Commission's discovery rules.

V. SETTLEMENT

Direct Energy is willing to participate in settlement discussions with any party to narrow the issues in this matter.

Respectfully submitted,



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Date: March 12, 2012

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