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March 12, 2012

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

VIA HAND DELIVERY

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

Dear Secretary Chiavetta:

Enclosed for filing with the Pennsylvania Public Utility 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 them for our filing purposes. Thank you.

Sincerely,

McNEES WALLACE & NURICK LLC

By

Adeolu A. Bakare

Counsel to the Philadelphia Area Industrial Energy Users Group

AAB/lmc
Enclosures

c: Administrative Law Judge Dennis J. Buckley (via E-mail and First-Class Mail)
Certificate of Service

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION
PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

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

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

As requested by Administrative Law Judge ("ALJ") Dennis J. Buckley in the Prehearing Conference Order of March 6, 2012, the Philadelphia Area Industrial Energy Users Group ("PAIEUG") hereby submits this Prehearing Memorandum.

I. HISTORY OF THE PROCEEDING

On January 13, 2012, PECO Energy Company ("PECO" or the "Company") filed with the Pennsylvania Public Utility Commission ("PUC" or "Commission") a Petition for Approval of the Company's Second Default Service Program ("DSP II"). Through its Petition for Approval of DSP II ("Petition"), PECO outlined the Company's proposed procurement plan, implementation plan, and contingency plan for acquiring default service energy supply for all PECO customers who, upon expiration of the Company's current Default Service Program ("DSP I") on May 31, 2013, do not take generation service from an competitive electric generation supplier ("EGS") or who contract with an EGS for energy supply, which is not delivered. The Company's filing includes proposals for revising the procurement plans established through DSP I for the four designated rate classes (*i.e.*, Residential; Small Commercial; Medium Commercial; and Large Commercial and Industrial ("C&I")), and sets forth a rate design plan that both incorporates a number of new rates and modifies existing rates.

In addition, the Petition includes proposals to recover costs related to Alternative Energy Portfolio Standards Act ("AEPS") compliance and various Retail Market Enhancements from Large C&I customers.

On February 13, 2012, PAIEUG filed a Petition to Intervene and Answer in this proceeding. A description of PAIEUG is set forth in Paragraph 1 of PAIEUG's Petition to Intervene. PAIEUG's Petition to Intervene is outstanding and awaits disposition by the ALJ.

II. ANTICIPATED ISSUES AND SUB-ISSUES

As some of PECO's largest customers, PAIEUG members are in a unique position to comment to the Commission on the customer impact of PECO's Petition and the consequences for Large C&I customers. PAIEUG is concerned with issues regarding the terms and conditions of its members' electricity service and therefore intends to address the following issues related to PECO's proposed DSP II. The following is a preliminary list of potential issues to be examined by PAIEUG:

- a. Whether PECO's DSP II provides meaningful opportunities for Large C&I customers to obtain default service at just and reasonable rates as required by the Commission's default service regulations;
- b. Whether the proposed modifications to PECO's Large C&I procurement plan should be further reviewed to ensure that the associated costs are just and reasonable;
- c. The addition of long-term supply options for Large C&I default service customers, in addition to the current hourly-priced default service; and
- d. Cost allocation issues related to the consolidation of AEPS-related charges into the GSA surcharges and the various proposed Retail Market Enhancements.

PAIEUG anticipates pursuing these issues during this proceeding and reserves the right to raise further issues as necessary and appropriate during the course of the proceeding and to respond to issues raised by other parties.

III. PROPOSED WITNESSES

PAIEUG is in the process of evaluating whether it will sponsor testimony in this proceeding. In the event that PAIEUG decides to sponsor testimony, it will immediately inform the parties and the ALJ of any intended witnesses and topics of testimony. PAIEUG also 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 has participated in preliminary scheduling discussions with other parties to the proceeding and will cooperate with ALJ Buckley 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 ALJ directives.

V. SETTLEMENT

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

Respectfully submitted,

McNEES WALLACE & NURICK LLC

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Counsel to the Philadelphia Area Industrial Energy
Users Group

Dated: March 12, 2012

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CERTIFICATE OF SERVICE

I hereby certify that I am this day serving 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).

VIA E-MAIL AND FIRST CLASS MAIL

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Adeolu A. Bakare

Dated this 12th day of March, 2012, in Harrisburg, Pennsylvania.