



Richard G. Webster, Jr.  
Vice President

Telephone 215.841.4000  
Fax 215.841.6208  
www.peco.com  
dick.webster@peco-energy.com

An Exelon Company

PECO  
Regulatory Policy and Strategy  
2301 Market Street  
S15  
Philadelphia, PA 19103

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March 1, 2017

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

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

RE: PECO Energy Company's Electric Asset Optimization Plan  
Docket No. P-2015-2471423

Dear Ms. Chiavetta:

Enclosed for filing in the above referenced matter is PECO Energy Company's Electric Annual Asset Optimization Plan.

If you have any questions regarding this filing, please do not hesitate to contact me at 215-841-5777.

Sincerely,

*Richard G. Webster, JR. / RAS*

cc: Parties of Record

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PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

PECO ENERGY COMPANY

ANNUAL ASSET OPTIMIZATION PLAN ELECTRIC OPERATIONS FOR 2016

Docket No. P-2015-2471423

PECO ENERGY COMPANY  
ELECTRIC ANNUAL ASSET OPTIMIZATION PLAN

Docket No. P-2015-2471423

**I. INTRODUCTION**

On February 14, 2012, Governor Corbett signed into law Act 11 of 2012 ("Act 11"), which amended the Pennsylvania Public Utility Code in several respects, including the addition of Subchapter B (66 Pa. C.S. §§ 1350-1360). Act 11 authorized the Pennsylvania Public Utility Commission ("PUC" or "Commission") to approve a distribution system improvement charge ("DSIC") upon petition by an electric distribution company, a natural gas distribution company, a water utility or a wastewater utility. A DSIC is a charge imposed by a utility to recover the reasonable and prudent costs incurred to repair, improve or replace eligible property that is part of the utility's distribution system. The purpose of a DSIC is to allow utilities to recover the costs of DSIC-eligible property that is placed in service between base rate cases and, therefore, is not included in the revenue requirement being recovered in the utility's base rates.

In addition, Subchapter B sets forth various requirements that must be satisfied by a qualifying utility in order to establish a DSIC and to recover the reasonable and prudent costs to repair, improve or replace eligible property.

On August 2, 2012, the Commission entered its *Final Implementation Order in Implementation of Act 11 of 2012* at Docket No. M-2012-2293611 ("Implementation Order"). Most of the Implementation Order explains how the Commission intends to implement the provisions of Subchapter B. Among other things, it sets forth the Commission's expectations with regard to the contents of: 1) a Long Term Infrastructure Improvement Plan ("LTIIIP"), which must be filed as a precursor to a request to establish a DSIC (66 Pa.C.S. § 1352); and 2)

Annual Asset Optimization Plans ("AAO Plans"), which must be filed each year by a utility that has an approved DSIC and LTIP (66 Pa.C.S. § 1356).

According to the Implementation Order, AAO Plans are intended to provide an overall status report regarding a utility's progress in making infrastructure improvements pursuant to a Commission-approved LTIP (Implementation Order at 30). AAO Plans are expected to: 1) demonstrate LTIP compliance and progress; and 2) identify a utility's near-term construction projects that will be funded by the DSIC, consistent with the LTIP.

On March 14, 2013, the Commission entered a Proposed Rulemaking Order at Docket No. L-2012-2317274 ("2013 Order") to establish the procedures and criteria for the filing and subsequent periodic review of LTIPs. The 2013 Order proposed to adopt Chapter 121, which would serve as the Commission's implementation regulations for LTIPs, including requirements for AAO Plans. Specifically, Section 121.6 of the 2013 Order proposed elements and procedures for AAO Plans (2013 Order at § 121.6). On May 22, 2014, the Commission issued a Final Rulemaking Order adopting final regulations at 52 Pa. Code § 121.1-121.8.

Pursuant to 52 Pa. Code § 121.6, the required AAO Plan elements are as follows: (1) a description of all eligible property repaired, improved and replaced in the immediately preceding 12-month period pursuant to the utility's LTIP; and (2) a detailed description of all the facilities to be improved in the upcoming 12 months.

## **II. PECO's Electric LTIP**

On March 27, 2015, the *Petition of PECO Energy Company for Approval of its Electric Long Term Infrastructure Improvement Plan and to Establish a Distribution System Improvement Charge for its Electric Operations* was filed with the Commission at Docket No. P-2015-2471423 ("Petition"). PECO's LTIP is a five-year plan spanning the years 2016-2020. It

is designed to accelerate infrastructure improvements in order to enhance system resiliency and reliability. The plan consists of three main project areas and a fourth category related to unreimbursed facility relocations: 1) Storm Hardening and Resiliency Measures; 2) Underground Cable Replacements; 3) Building Substation Retirements; and 4) Facility Relocations. During the 5-year LTIP period, PECO's increased expenditures will amount to \$324.3 million, with \$274.3 million for the above reliability projects and \$50 million for facility relocation work as permitted by 66 Pa. C.S. §1351 (definition of "eligible property").

PECO's Petition also included a proposed DSIC Tariff, which tracked the Commission's Model Tariff with only minor editorial changes necessary to make the DSIC part of PECO's Electric Service Tariff. In particular, the description of eligible property contained in Section 1.B. of the proposed DSIC Tariff was adopted from the description of eligible property for electric distribution companies in the Model Tariff. As set forth in Section 2 of the DSIC Tariff, PECO proposed a DSIC effective date of January 1, 2016, and quarterly DSIC changes to occur on the first day of each calendar quarter (i.e., January 1, April 1, July 1 and October 1). The method of calculating each quarterly DSIC rate was set forth in Section 2.D. of the DSIC Tariff and was identical to the formula set forth in the Model Tariff. Finally, all of the customer safeguards set forth in the Model Tariff were included in Section 4 of PECO's DSIC Tariff.

On October 22, 2015, the PUC approved PECO's electric LTIP and DSIC petition.<sup>1</sup> PECO is providing this AAO Plan for 2016.

PECO is filing copies of this AAO Plan with the Commission's Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate and

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<sup>1</sup> The DSIC was approved subject to two issues referred to the Office of Administrative Law Judge for hearing: 1) whether the DSIC should apply to transmission voltage rates; and 2) what revenues associated with PECO's tariff riders should be recovered through the DSIC. (See the Commission's Opinion and Order, issued October 22, 2015, in Docket No. P-2015-2471423).

the interested parties that were a part of the proceeding in which PECO's electric LTIP was approved (Docket No. P-2015-2471423).

### III. REQUIRED ELEMENTS OF THE AAO PLAN

#### A. Description of all Eligible Property Repaired, Improved and Replaced in the Immediately Preceding 12-Month Period Pursuant to PECO's LTIP

Exhibit A attached hereto provides summary data with respect to projects that were completed in LTIP year 2016 for: 1) Customers Experiencing Multiple Interruptions ("CEMI") improvements, 2) Circuit Rebuilds Enabling Unit Substation Retirements, 3) Main Stem cable replacements, 4) Underground Residential Development ("URD") cable replacements and 5) Facility Relocations (as specified below). From an overall financial perspective in 2016, PECO spent approximately \$33.4 million on the LTIP project areas described below as opposed to \$31.8 million estimated in the LTIP.

##### 1. Customers Experiencing Multiple Interruptions ("CEMI")

As shown in Exhibit A, PECO exceeded its 2016 LTIP goals for CEMI improvements. The LTIP estimated that PECO would complete between 5 and 8 CEMI projects and actual results were 10. The CEMI projects were completed in the following locations:

County	Number
Delaware	5
Chester	2
Montgomery	2
Philadelphia	1

Aerial spacer cable installations accounted for 8 of the 10 completed projects. Three-phase and single-phase spacer cables were used to replace open wire and self-supporting cables in areas of Delaware, Chester and Montgomery counties that experienced frequent storm damage. Approximately 4 miles of spacer cable were installed in these areas. Additionally,

PECO began CEMI work originally planned for 2017 (i.e., conceptual and detailed project designs, vegetation management, material procurements, and preliminary construction work on large projects in Chester and Delaware Counties) in 2016. From a financial perspective in 2016, PECO spent \$8.0 million on these CEMI projects as opposed to the \$7.7 million estimated in the LTIIIP.

2. Circuit Rebuild Enabling Unit Substation Retirements

PECO did not plan to complete any projects related to Circuit Rebuilds Enabling Unit Substation Retirements in 2016. However, it did perform preliminary work, including vegetation management, engineering design and material procurement for five circuit rebuild commitments planned for 2017. The preliminary work, which occurred in Bucks County, supports five unit substation retirements that will occur in Yardley and Washington's Crossing. These facilities are located in a flood-prone area with frequent storm-related outages. From a financial perspective in 2016, PECO spent \$1.7 million for this preliminary work and met its target for LTIIIP year 2016.

3. Main Stem Cable Replacements

As shown in Exhibit A, PECO exceeded its LTIIIP goal for Main Stem cable replacements for LTIIIP year 2016. The LTIIIP estimated that PECO would replace 8 miles of Main Stem cable and actual results were 10.8 miles. PECO completed 6 projects totaling 7.8 miles of replaced cable in Philadelphia. These large cable replacements improved reliability for the Philadelphia International Airport and the South Philadelphia Sports Complex prior to the 2016 Democratic National Convention. Additionally, emergent cable replacements resolved escalating reliability issues in Central Philadelphia.

In Montgomery County, PECO completed 2 projects, replacing approximately 3 miles of underground cable. This included the Jenkintown-138 Main Stem Cable Replacement project in which PECO replaced approximately 1.25 miles of cable to reduce interruption frequency.

Furthermore, PECO began Main Stem work originally planned for 2017 (i.e., conceptual and detailed project designs, material procurements and preliminary construction work on large projects in Philadelphia and Delaware Counties) in 2016. From a financial perspective, PECO spent \$8.3 million on these cable replacements as opposed to the \$8.2 million estimated in the LTIP.

#### 4. Underground Residential Development Cable Replacements

As shown in Exhibit A, PECO exceeded its 2016 LTIP goal for URD cable replacements. The LTIP estimated that PECO would replace 8 miles of URD cable and actual results were 9.6 miles. PECO completed 2 URD cable replacement projects in Montgomery County, replacing 4.6 miles of underground cable. The most significant project in Montgomery County included replacing all of the URD cable serving a development that had subsurface transformers and direct-buried cable at a shallow depth. In total, PECO replaced 4.5 miles of URD cable and installed modern pad mount transformers, which enhanced the development's reliability.

In Bucks County, PECO completed 3 URD cable replacement projects, replacing 3 miles of cable. PECO installed new facilities within conduit for additional line protection and to facilitate maintenance/repairs.

In Delaware County, PECO completed 1 URD project, replacing 1 mile of newly installed cable inside conduit and adding multiple feeds off the 34 kV Concord-352 line. This created a loop to reduce the number of affected customers during interruptions.

PECO also began URD work originally planned for 2017 (i.e., conceptual and detailed project designs for Bucks County) in 2016. From a financial perspective, PECO spent \$4.5 million on URD cable replacements as opposed to the \$4.2 million estimated in the LTIP.

#### 5. Facility Relocation

Facility Relocations involve unreimbursed costs related to highway relocation projects that are eligible for recovery under Sections 1351 and 1353. These costs arise when PECO moves its facilities at the direction of the state, a municipality or another governmental entity to construct a new road or to perform other construction. Because these projects are reactive in nature, PECO's 2016 LTIP did not include a projected number of relocations. However, the majority of the relocations occurred in Philadelphia, Delaware and Montgomery counties.

The largest relocation effort required PECO to move its facilities in support of an Amtrak project between the Philadelphia Zoo and Paoli. As a result, PECO relocated its facilities off the Amtrak corridor and increased the reliability of various circuits at a cost of \$6.5 million. From a financial perspective, PECO spent \$10.9 million on Facility Relocations as opposed to \$10 million estimated in the LTIP.

#### **B. Description of the Facilities to be Improved in the Upcoming 12-Month Period (2017)**

PECO expects to meet or exceed its LTIP goals/targets for 2017 (as specified below). From an overall financial perspective, PECO estimates that it will spend approximately \$64.7 million on these LTIP projects in 2017.

##### 1. Customers Experiencing Multiple Interruptions

PECO expects that it will meet or exceed its goal to complete between 6 and 9 CEMI projects in 2017 at an estimated cost of \$10 million. Large CEMI projects are scheduled to occur

in Chester and Delaware Counties. This work will involve 4 kV to 34 kV conversions and spacer cable installations.

2. Circuit Rebuild Enabling Unit Substation Retirements

PECO expects that it will meet its goals to retire 5 Unit Substations and rebuild the associated circuits in 2017 at an estimated cost of \$14.5 million. These retirements and rebuilds will occur in Bucks County.

3. Main Stem Cable Replacements

PECO expects that it will meet or exceed its goal to replace 17 miles of Main Stem cable in 2017 at an estimated cost of \$18 million. PECO will replace large spans of Main Stem cable in Philadelphia, Montgomery and Delaware Counties.

4. Underground Residential Development Cable Replacements

PECO expects that it will meet or exceed its goal to replace 19 miles of URD cable in 2017 at an estimated cost of \$10 million. PECO will replace large spans of URD cable in Bucks County.

5. Facility Relocation

For 2017, PECO estimates that it will spend \$12.2 million on Facility Relocations based on currently planned projects as opposed to the \$10 million included in the LTIIP.

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EXHIBIT A

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<i>Million \$</i>	<i>2016 Plan</i>	<i>2016 Actual</i>	<i>2017 LTIIP</i>
Customers Experiencing Multiple Interruptions (CEMI)	\$7.7	\$8.0	\$10.0
Circuit Rebuild For Unit Substation Retirements	\$1.7	\$1.7	\$14.5
Main Stem Cable	\$8.2	\$8.3	\$18.0
URD Cable	\$4.2	\$4.5	\$10.0
Facility Relocation	\$10.0	\$10.9	\$12.2
<b>Total</b>	<b>\$31.8</b>	<b>\$33.4</b>	<b>\$64.7</b>

	<i>2016 Plan</i>	<i>2016 Actual</i>	<i>2017 LTIIP</i>
Customers Experiencing Multiple Interruptions (CEMI) (Projects)	5.0 - 8.0	10.0	6.0 - 9.0
Circuit Rebuild For Unit Substation Retirements (Projects)	-	-	5.0
Main Stem Cable (Miles)	8.0	10.8	17.0
URD Cable (Miles)	8.0	9.6	19.0

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PETITION OF PECO ENERGY :  
COMPANY FOR APPROVAL OF ITS :  
ELECTRIC LONG TERM :  
INFRASTRUCTURE IMPROVEMENT : DOCKET NO. P-2015-2471423  
PLAN AND TO ESTABLISH A :  
DISTRIBUTION SYSTEM :  
IMPROVEMENT CHARGE FOR ITS :  
ELECTRIC OPERATIONS :

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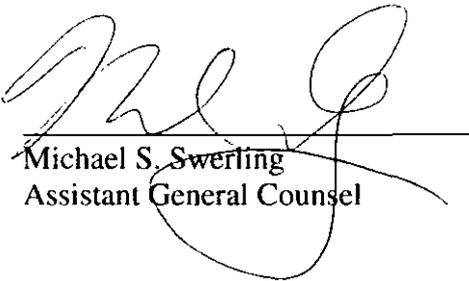
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PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

**VERIFICATION**

I, Michael S. Swerling, hereby declare that I am an Assistant General Counsel for PECO Energy Company; that as such I am authorized to make this verification on its behalf; that the facts sets forth in the foregoing Pleading are true to the best of my knowledge, information and belief, and that I make this verification subject to the penalties of 18 Pa. C.S. § 4904 pertaining to false statements to authorities.

Date: March 1, 2017

  
\_\_\_\_\_  
Michael S. Swerling  
Assistant General Counsel

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF PECO ENERGY :  
COMPANY FOR APPROVAL OF ITS :  
ELECTRIC LONG TERM :  
INFRASTRUCTURE IMPROVEMENT : DOCKET NO. P-2015-2471423  
PLAN AND TO ESTABLISH A :  
DISTRIBUTION SYSTEM :  
IMPROVEMENT CHARGE FOR ITS :  
ELECTRIC OPERATIONS :

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**CERTIFICATE OF SERVICE**

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

I certify and affirm that I have this day served a copy of the *2016 Annual Asset Optimization Plan* in the above-referenced docket, on the following persons in the matter specified with the requirements of 52 Pa. Code § 1.54:

**VIA ELECTRONIC MAIL AND FIRST CLASS MAIL**

Tanya J. McCloskey  
Office of Consumer Advocate  
Forum Place, 5<sup>th</sup> Floor  
555 Walnut Street  
Harrisburg, PA 17101-1923  
[tmccloskey@paoca.gov](mailto:tmccloskey@paoca.gov)

John R. Evans  
Office of Small Business Advocate  
Commerce Building, Suite 1102  
300 North Second Street  
Harrisburg, PA 17101  
[jorevan@pa.gov](mailto:jorevan@pa.gov)

Johnnie E. Simms  
Bureau of Investigation and Enforcement  
PA. Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120  
[josimms@pa.gov](mailto:josimms@pa.gov)

Paul T. Diskin, Director  
Bureau of Technical Utility Services  
PA. Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120  
[pdiskin@pa.gov](mailto:pdiskin@pa.gov)

Charis Mincavage, Esquire  
McNees, Wallace & Nurick LLC  
100 Pine Street  
Harrisburg, PA 17101  
[cmincavage@wmn.com](mailto:cmincavage@wmn.com)

*Counsel for PAIEUG*

Charles T. Joyce, Esquire  
Spear Wilderman, P.C.  
230 South Broad Street, Suite 1400  
Philadelphia, PA 19102  
[ctjopyce@spearwilderman.com](mailto:ctjopyce@spearwilderman.com)

*Counsel for Local 614 – International  
Brotherhood for Electric Workers*

Thu B. Tran, Esquire  
Community Legal Services, Inc.  
1424 Chestnut Street  
Philadelphia, PA 19102-2505  
[ttran@clsphila.org](mailto:ttran@clsphila.org)

*Counsel for TURN, et al.*

Arthur Z. Schwartz, Esquire  
Advocates for Justice and Reform Now, PC  
c/o Schwartz, Lichten & Bright  
225 Broadway, Suite 1902  
New York, NJ 10007  
[districtleader@msn.com](mailto:districtleader@msn.com)

*Counsel for Pennsylvania Communities  
Organizing for Change*

J. Barry Davis  
Chief Deputy City Solicitor  
City of Philadelphia Law Department  
One Parkway Building  
1515 Arch Street, 16<sup>th</sup> Floor  
Philadelphia, PA 19102-1595  
[Jbarry.david@phila.gov](mailto:Jbarry.david@phila.gov)

*Counsel for City of Philadelphia*

Todd S. Stewart  
Hawke McKeon & Sniscak LLP  
100 North Tenth Street  
Harrisburg, PA 17105-1778  
[tsstewart@hmslegal.com](mailto:tsstewart@hmslegal.com)  
*Counsel for Dominion Retail Inc.*

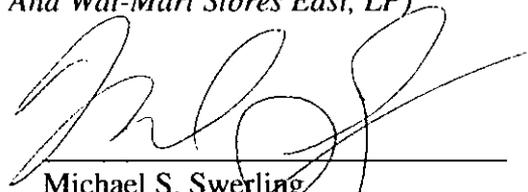
Philip L. Hinerman  
Fox Rothschild LLP  
2000 Market Street, 20<sup>th</sup> Floor  
Philadelphia, PA 19103-3222  
[phinerman@foxrothschild.com](mailto:phinerman@foxrothschild.com)  
*Counsel for Philadelphia Housing Authority*

John W. Norbeck  
Citizens for Pennsylvania's Future  
610 North Third Street  
Harrisburg, PA 17101  
[norbeck@pennfuture.org](mailto:norbeck@pennfuture.org)  
*Counsel for PennFuture*

Dated: March 1, 2017

Gary A. Jeffries  
Assistant General Counsel  
Dominion Retail Inc.  
501 Martindale Street, Suite 400  
Pittsburgh, PA 15212-5817  
[Gary.a.jeffries@dom.com](mailto:Gary.a.jeffries@dom.com)  
*Counsel for Dominion Retail, Inc.*

Donald R. Wagner  
Linda R. Evers  
Michael A. Stevens & Lee  
111 North Sixth Street  
Reading, PA 19601  
[drw@stevenslee.com](mailto:drw@stevenslee.com)  
[lre@stevenslee.com](mailto:lre@stevenslee.com)  
[mag@stevenslee.com](mailto:mag@stevenslee.com)  
*Counsel for the Commercial Group  
(BJ's Wholesale Club, Inc., Sam's East, Inc.  
And Wal-Mart Stores East, LP)*



Michael S. Swerling  
Assistant General Counsel  
PECO Energy Company  
2301 Market Street, S23-1  
Philadelphia, PA 19103  
Phone: 215.841.4220  
Email: [Michael.swerling@exeloncorp.com](mailto:Michael.swerling@exeloncorp.com)

ORIGIN ID:PSQA (215) 841-5353  
ANITA ZAKETA

2301 MARKET STREET  
S23-1  
PHILADELPHIA, PA 19101  
UNITED STATES US

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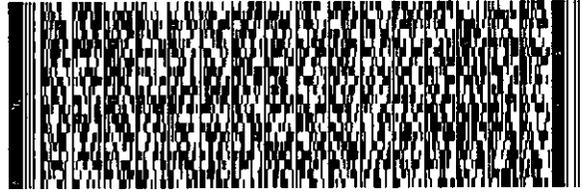
TO ROSEMARY CHIAVETTA, SECRETARY  
PUBLIC UTILITIES COMMISSION  
400 NORTH ST FL 2  
COMMONWEALTH KEYSTONE BUILDING  
HARRISBURG PA 17120

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(717) 772-7777  
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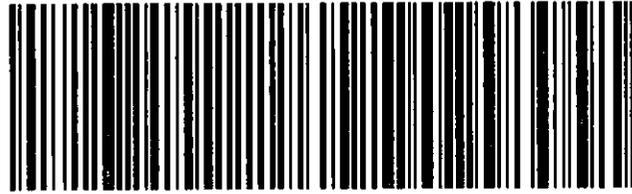


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