



An Exelon Company

**Richard G. Webster, Jr.**  
Vice President  
Regulatory Policy & Strategy  
  
PECO  
2301 Market Street  
515  
Philadelphia, PA 19103

Telephone 215.841.5777  
Fax 215.841.6208  
www.peco.com  
dick.webster@peco-energy.com

March 1, 2018

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

**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,

A handwritten signature in blue ink, appearing to read "R. Webster", followed by a long horizontal flourish.

cc: Parties of Record

**PECO ENERGY COMPANY**  
**ANNUAL ASSET OPTIMIZATION PLAN FOR 2017 - ELECTRIC OPERATIONS**  
**Docket No. P-2015-2471423**

PECO ENERGY COMPANY  
ANNUAL ASSET OPTIMIZATION PLAN FOR 2017 - ELECTRIC

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 authorizes 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 DSIC allows 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 existing 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"). The Implementation Order sets forth the Commission's expectations with regard to: 1) a Long Term Infrastructure Improvement Plan ("LTIIP"), 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 May 22, 2014, 52 Pa. Code § 121.6 was adopted, which requires AAO Plan elements to include: (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, PECO filed for *Approval of its Electric Long Term Infrastructure Improvement Plan and to Establish a Distribution System Improvement Charge for its Electric Operations* 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").

On October 22, 2015, the PUC approved PECO's electric LTIP and DSIC petition.<sup>1</sup> PECO hereby provides its AAO Plan for 2017 and 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 the other interested parties in 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 2017 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 2017, PECO spent approximately \$72.8 million on the LTIP project areas described below compared to \$64.7 million estimated in the LTIP for 2017. PECO exceeded its overall estimated LTIP costs for 2017 principally due to unexpected and costly Pennsylvania Department of Transportation ("PENNDOT") facility relocation projects that the Company was required to perform.<sup>2</sup> However, PECO met or exceeded its 2017 installation projections for all planned LTIP work categories (i.e., CEMI improvements, Circuit Rebuilds Enabling Unit Substation Retirements, Main Stem cable replacements and URD replacements).

---

<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). On September 21, 2017, the Commission approved the Joint Petition for Settlement, which resolved the issues described above.

<sup>2</sup> While PECO estimated that facility relocation work would cost \$12.2 million in 2017, it spent \$20.5 million to move facilities in response to PENNDOT projects.

1. Customers Experiencing Multiple Interruptions (“CEMI”)

As shown in Exhibit A, PECO exceeded its 2017 LTIP goals for CEMI improvements. The LTIP estimated that PECO would complete between six and nine CEMI projects and actual results were 10. The CEMI projects were completed in the following locations:

County	Number
Delaware	2
Chester	7
York	1

Half of the projects addressed recurring storm-related outages in western Chester County. Specifically, PECO completed installation of a 34kV sectionalized ring in this area. The switchgear contained in this ring will reduce outage impacts to customers during future storm conditions in western Chester County. Efforts to replace open wire and self-supporting cable with three-phase and single-phase spacer cables accounted for the remaining five projects in Delaware, Chester, and York Counties. Additionally, PECO began preliminary CEMI work planned for 2018 (i.e., detailed project design, vegetation management and preliminary construction) in Chester, Delaware, and Bucks Counties. In 2017, PECO spent \$9.9 million on these CEMI projects compared to the \$10 million estimated in the LTIP.

2. Circuit Rebuild Enabling Unit Substation Retirements

As shown in Exhibit A, PECO met its LTIP goal for Circuit Rebuild Enabling Unit Substation Retirements. The LTIP estimated that PECO would rebuild five Unit Substations and actual results were five. PECO retired five 4kv Unit Substations in Yardley and Washington Crossing, Bucks County. The associated circuits were rebuilt and upgraded to 34 kV facilities. Additionally, PECO began preliminary Circuit Rebuild work for 2018 (i.e., detailed project design, vegetation management, civil construction and electrical construction) in Montgomery,

Chester, Bucks, and Philadelphia Counties. In 2017, PECO spent \$14.3 million for this Circuit Rebuild work compared to the \$14.5 million estimated in the LTIP.

### 3. Main Stem Cable Replacements

As shown in Exhibit A, PECO met its LTIP goal for Main Stem cable replacements for LTIP year 2017. The LTIP estimated that PECO would replace 17 miles of Main Stem cable and actual results were 18.1 miles. PECO completed seven projects totaling 12.5 miles of replaced cable in Philadelphia. These cable replacements improved reliability for customers near the Philadelphia Art Museum and City Line Avenue. Additional cable replacement projects improved reliability for street lighting facilities at Roosevelt Boulevard and University City.

In Delaware County, PECO completed three projects replacing 5.6 miles of underground cable. These projects reduced the frequency of interruptions in the business districts of Wayne and Ardmore. Furthermore, PECO began Main Stem work originally planned for 2018 (i.e., detailed project design, material procurements and preliminary construction) on large projects in Philadelphia and Norristown. For 2017, PECO spent \$18.8 million on its Main Stem cable replacements compared to the \$18 million estimated in the LTIP.

### 4. Underground Residential Development Cable Replacements

As shown in Exhibit A, PECO exceeded its 2017 LTIP goal for URD cable replacements. The LTIP estimated that PECO would replace 19 miles of URD cable and actual results were 22 miles. Approximately 17 miles of URD cable replacements addressed reliability issues in the Bensalem area of Bucks County.

The remaining URD projects occurred in Delaware, Chester, and Montgomery Counties. In Delaware County, PECO replaced 3.25 miles of cable for two developments. In Chester

County, PECO replaced 1.25 miles of cable for one development. In Montgomery County (i.e., North Wales), PECO replaced half a mile of cable to address emerging cable failures.

PECO also began URD work originally planned for 2018 (i.e., detailed project design and preliminary construction) in Chester, Bucks, and Philadelphia Counties. In 2017, PECO spent \$9.3 million on URD cable replacements compared to the \$10 million estimated in the LTIIP.

#### 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 2017 LTIIP did not include a projected number of relocations. The majority of the relocations occurred in Philadelphia, Delaware and Montgomery counties.

The largest relocation effort required PECO to move its facilities in continued 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 million. PECO also relocated its facilities in support of a project to widen I-95 (at a cost of \$4.2 million) and a project to reconstruct bridges near the Vine Street Expressway (at a cost of \$1.5 million) in Philadelphia. In 2017, PECO spent \$20.5 million on Facility Relocations compared to \$12.2 million estimated in the LTIIP.

#### **B. Description of the Facilities to be Improved in the Upcoming 12-Month Period (2018).**

PECO expects to meet or exceed its LTIIP goals/targets for 2018 (as specified below). From an overall financial perspective, PECO estimates that it will spend approximately \$78.5 million on these LTIIP projects in 2018.

1. Customers Experiencing Multiple Interruptions

PECO expects that it will meet or exceed its goal to complete between 8 and 13 CEMI projects in 2018 at an estimated cost of \$15 million. The majority of the 2018 CEMI projects will be located in Chester and Delaware Counties, and will focus on 4kV to 34kV conversions as well as spacer cable and main cable installations.

2. Circuit Rebuild Enabling Unit Substation Retirements

PECO expects that it will meet its goals to retire six Unit Substations and rebuild the associated circuits (i.e., obsolete 2 kV and 4 kV circuits) in 2018 at an estimated cost of \$15 million. These projects will be located in Chester, Montgomery, and Philadelphia Counties.

3. Main Stem Cable Replacements

PECO expects that it will meet or exceed its goal to replace 17 miles of Main Stem cable in 2018 at an estimated cost of \$18 million. PECO will rebuild Main Stem primary and secondary infrastructure in Norristown, Ardmore, Upper Merion, and Philadelphia.

4. Underground Residential Development Cable Replacements

PECO expects that it will meet or exceed its goal to replace 32 miles of URD cable in 2018 at an estimated cost of \$17 million. PECO will upgrade URD systems in Bucks, Philadelphia, Chester, and Delaware Counties.

5. Facility Relocation

For 2018, PECO estimates that it will spend \$13.5 million on Facility Relocations based on currently scheduled projects.

**EXHIBIT A**

<i>Million \$</i>	<i>2017 Plan</i>	<i>2017 Actual</i>	<i>2018 LTIIP</i>
<b>Customers Experiencing Multiple Interruptions (CEMI)</b>	<b>\$10.0</b>	<b>\$9.9</b>	<b>\$15.0</b>
<b>Circuit Rebuild For Unit Substation Retirements</b>	<b>\$14.5</b>	<b>\$14.3</b>	<b>\$15.0</b>
<b>Main Stem Cable</b>	<b>\$18.0</b>	<b>\$18.8</b>	<b>\$18.0</b>
<b>URD Cable</b>	<b>\$10.0</b>	<b>\$9.3</b>	<b>\$17.0</b>
<b>Facility Relocation</b>	<b>\$12.2</b>	<b>\$20.5</b>	<b>\$13.5</b>
<b>Total</b>	<b>\$64.7</b>	<b>\$72.8</b>	<b>\$78.5</b>

	<i>2017 Plan</i>	<i>2017 Actual</i>	<i>2018 LTIIP</i>
<b>Customers Experiencing Multiple Interruptions (CEMI) (Projects)</b>	<b>6 - 9</b>	<b>10</b>	<b>8 - 13</b>
<b>Circuit Rebuild For Unit Substation Retirements (Projects)</b>	<b>5</b>	<b>5</b>	<b>6</b>
<b>Main Stem Cable (Miles)</b>	<b>17.0</b>	<b>18.1</b>	<b>17.0</b>
<b>URD Cable (Miles)</b>	<b>19.0</b>	<b>22.0</b>	<b>32.0</b>

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 :

**CERTIFICATE OF SERVICE**

I certify and affirm that I have this day served a copy of the *2017 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*

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.*

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*

Donald R. Wagner  
Linda R. Evers  
Michael A. Stevens & Lee  
111 North Sixth Street  
Reading, PA 19601  
[drw@stevenslee.com](mailto:drw@stevenslee.com)  
[Ire@stevenslee.com](mailto:Ire@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)*

Dated: March 1, 2018



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)

**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	:	

**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, 2018

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