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May 10, 2018

Federal Express Delivery

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
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Harrisburg, PA 17120

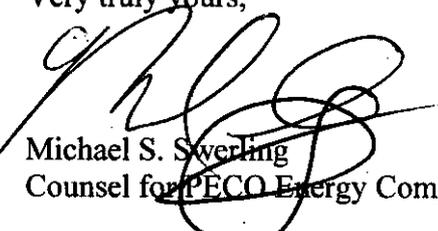
**Re: Periodic Review of PECO Energy Company's Long Term Infrastructure
Improvement Plan, Docket No. M-2018-3000950**

Dear Secretary Chiavetta:

Attached for filing are PECO Energy Company's *Initial Comments* on the above referenced case.

Please contact me at 215.841.4220 with any comments or concerns.

Very truly yours,



Michael S. Swerling
Counsel for PECO Energy Company

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Enclosures

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Periodic Review of PECO Energy :
Company's Long Term Infrastructure :
Improvement Plan : Docket No. M-2018-3000950
:

COMMENTS OF PECO ENERGY COMPANY
ON PERIODIC REVIEW OF LONG TERM INFRASTRUCTURE IMPROVEMENT
PLAN

I. INTRODUCTION

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 Pennsylvania Public Utility Commission ("Commission") at Docket No. P-2015-2471423 ("Petition"). PECO's Long Term Infrastructure Improvement Plan ("LTIP") is a five-year plan spanning the years 2016-2020 (the "LTIP Term"). It is designed to accelerate infrastructure improvements in order to enhance system resiliency and reliability. The plan is focused on projects relating to storm hardening and resiliency measures, underground cable replacements, substation retirements, and facility relocations. During the LTIP Term, PECO's expenditures will amount to \$324.3 million, with \$274.3 million to be spent on 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 Commission approved PECO's electric LTIP petition.¹

¹ The Distribution System Improvement Charge ("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.

On March 1, 2017, PECO filed its *2016 Electric Asset Optimization Plan* (“2016 AOP”), which detailed the eligible property that was repaired, improved and replaced in 2016 and the planned improvements to be made in 2017. On March 1, 2018, PECO filed its *2017 Electric Asset Optimization Plan* (“2017 AOP”), which detailed the eligible property that was repaired, improved and replaced in 2017 and the planned improvements to be made in 2018.

On April 10, 2018, the Commission issued a Secretarial Letter, which initiated a midpoint review of PECO’s LTIP pursuant to 52 Pa. C.S. § 121.7(a).² The Commission’s review will determine if: 1) PECO adhered to its LTIP; and 2) changes to the LTIP are necessary to maintain and improve the efficiency, safety, adequacy and reliability of PECO’s distribution infrastructure. The Secretarial Letter provides interested parties thirty days to file initial comments followed by twenty days to submit reply comments. Accordingly, PECO hereby submits its initial comments to the Commission’s April 10 Secretarial Letter.

II. PECO’s COMMENTS

A. PECO has Adhered to its LTIP.

As detailed below (and in Exhibit A which provides summary data with respect to projects that were completed in LTIP years 2016-2017), PECO’s 2016 AOP and 2017 AOP confirm that PECO has either met or exceeded its annual LTIP expense and improvement targets for Customers Experiencing Multiple Interruptions (“CEMI”), circuit rebuild enabling unit substation retirements, Main Stem cable replacements and Underground Residential Development (“URD”) cable replacements. Accordingly, PECO requests that the Commission determine that PECO has adhered to its LTIP.³

² According to 52 Pa. Code § 121.7(a), the Commission will review a utility’s LTIP at least once every 5 years.

³ Facility relocations are also a component of PECO’s LTIP. They 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

1) CEMI

PECO exceeded its 2016 LTIP goals for CEMI improvements. (2016 AOP at 5). The LTIP estimated that PECO would complete between 5 and 8 CEMI projects and actual results for 2016 were 10 projects (in Delaware, Chester and Montgomery Counties). (Id.) In 2016, PECO spent \$8 million on these CEMI projects as opposed to the \$7.7 million estimated in the LTIP.⁴ (2016 AOP at 6).

PECO also exceeded its 2017 LTIP goals for CEMI improvements. (2017 AOP at 5). The LTIP estimated that PECO would complete between 6 and 9 CEMI projects and actual results for 2017 were 10 projects (in Chester County). (Id.) In 2017, PECO spent \$9.9 million on these CEMI projects compared to the \$10 million estimated in the LTIP. (Id.)

2) Circuit Rebuild Enabling Unit Substation Retirements

Pursuant to its LTIP, PECO only performed preliminary work for Circuit Rebuild projects in 2016. (2016 AOP at 6). The preliminary work supported five substation retirements planned to occur in 2017. (Id.) In 2016, PECO spent \$1.7 million to complete this preliminary work. (Id.)

In 2017, PECO met its goal by retiring five Unit Substations and upgrading to 34 kV facilities in Bucks County. (2017 AOP at 5). In 2017, PECO spent \$14.3 million for this Circuit Rebuild work compared to the \$14.5 million estimated in the LTIP. (2017 AOP at 6).

3) Main Stem Cable Replacements

PECO exceeded its goal for Main Stem cable replacements in 2016. (2016 AOP at 6). The LTIP stated that PECO would replace 8 miles of Main Stem cable and actual results for

road or to perform other construction. Because these projects are reactive in nature, the Company cannot estimate number of relocations to be performed in any particular LTIP year.

⁴ 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. (2016 AOP at 6).

2016 were 10.8 miles in the City of Philadelphia and in Montgomery County. (Id.) In 2016, PECO spent \$8.3 million on these replacements compared to the \$8.2 million estimated in the LTIP.⁵ (2016 AOP at 7).

PECO exceeded its goal for Main Stem cable replacements in 2017 by replacing 18.1 miles compared to the 17 miles estimated in the LTIP (in Philadelphia and Delaware Counties). (2017 AOP at 6). In 2017, PECO spent \$18.8 million on its Main Stem cable replacements compared to the \$18 million estimated in the LTIP.⁶ (Id.)

4) URD Cable Replacements

PECO exceeded its 2016 goal for URD cable replacements. (2016 AOP at 7). The LTIP stated that PECO would replace 8 miles of URD cable and actual results for 2016 were 9.6 miles (in Montgomery, Bucks and Delaware Counties). (Id.) In 2016, PECO spent \$4.5 million on URD cable replacements compared to the \$4.2 million estimated in the LTIP.⁷ (2016 AOP at 8).

PECO exceeded its 2017 LTIP goal for URD cable replacements. (2017 AOP at 6). The LTIP estimated that PECO would replace 19 miles and actual results for 2017 were 22 miles (in Bucks, Delaware, Chester and Montgomery Counties). (Id.) In 2017, PECO spent \$9.3 million on URD cable replacements compared to the \$10 million estimated in the LTIP. (2017 AOP at 7).

B. Changes to the LTIP are not necessary to maintain and improve the efficiency, safety, adequacy and reliability of PECO's distribution infrastructure.

⁵ PECO also began URD work originally planned for 2017 (i.e., conceptual and detailed project designs for Bucks County) in 2016. (2016 AOP at 8).

⁶ 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) in 2017. (2017 AOP at 6).

⁷ PECO also began URD work originally planned for 2017 (i.e., conceptual and detailed project designs for Bucks County) in 2016. (2016 AOP at 8).

PECO has experienced reliability improvements as a result of meeting or exceeding its annual LTIP expense and improvement targets for CEMI, circuit rebuild enabling unit substation retirements, Main Stem cable replacements and URD cable replacements. PECO expects the reliability metrics detailed below will continue to improve as the Company fulfills its existing LTIP targets for the remaining years of the LTIP Term. Accordingly, PECO requests that the Commission find that no further changes are required for PECO's LTIP.

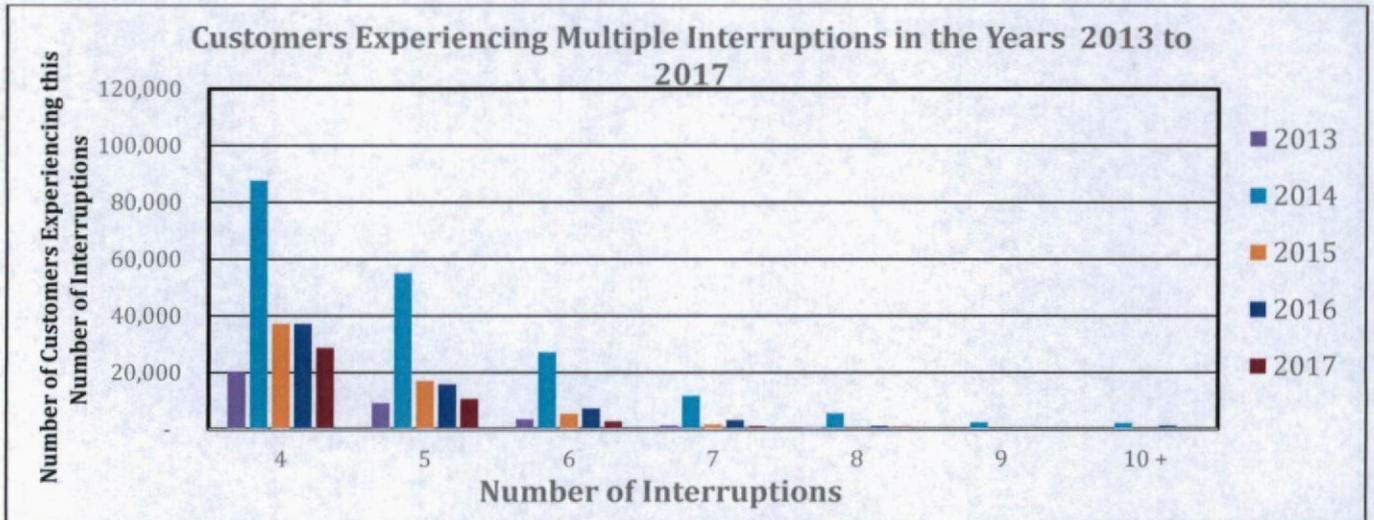
1) CEMI Reliability

Prior to the Company's LTIP, approximately 5% of PECO's customers experienced four or more outages in a given year excluding the effects of major storms.⁸ Approximately 9% of PECO's customers experienced four or more outages if major storms were included.⁹ However, certain circuits or geographic areas contributed to the interruptions per year in multiple years during the LTIP study period (2010-2014). Using the CEMI index and the data underlying it, PECO identified pockets of its distribution system that exhibited below average reliability performance and, therefore, were specifically targeted for infrastructure improvements through LTIP.

The following chart shows, for 2013 through 2017, the number of customers who have experienced four or more interruptions per year and the number of customers in each interruption interval, by year. Since PECO began its LTIP, approximately 3% of customers have experienced four or more outages in a given year excluding the effects of major storms. Additionally, 5% of PECO's customers have experienced four or more outages if major storms are included. Considering this reliability improvement, no changes to the LTIP are required for CEMI.

⁸ See *Petition* (PECO Exhibit No. 1, page 12).

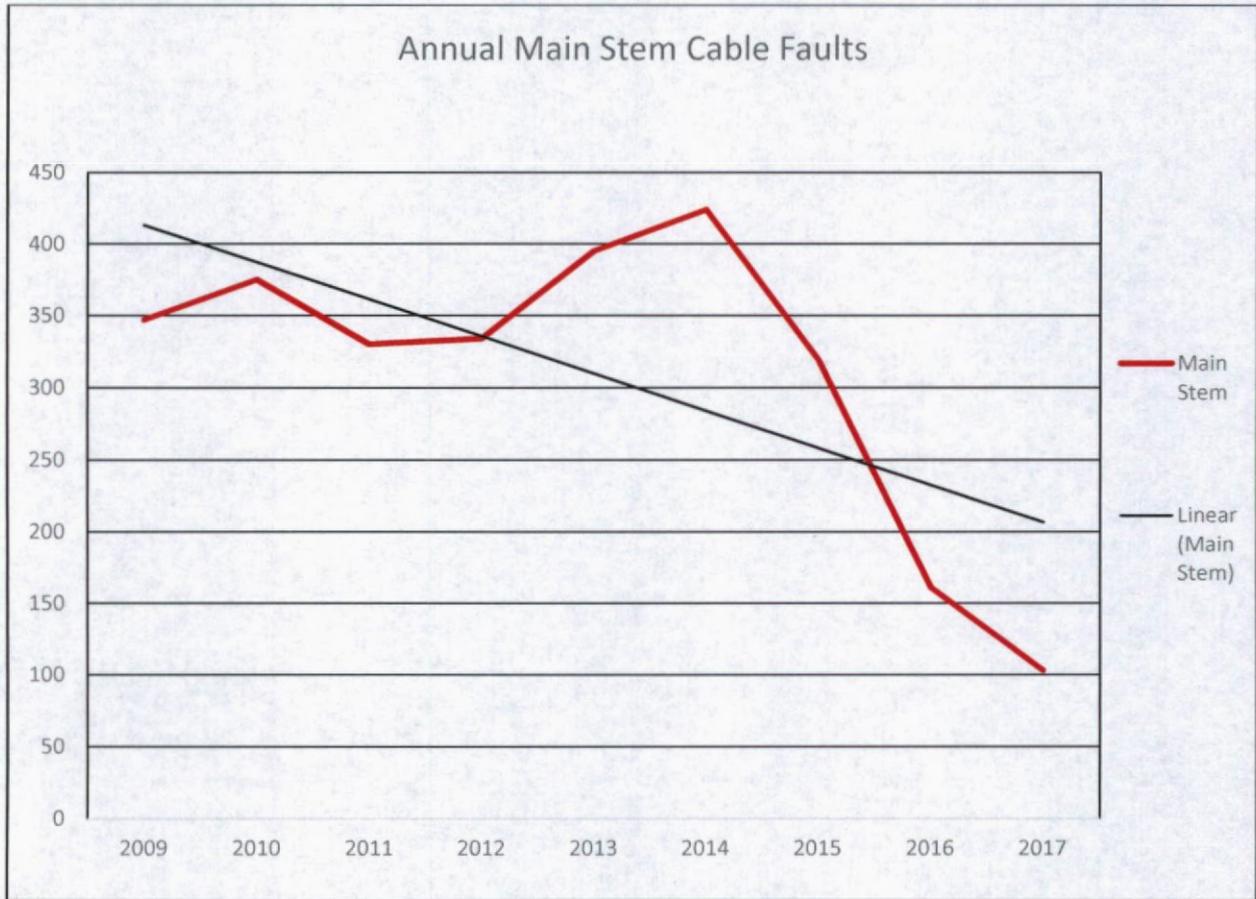
⁹ *Id.*



2) Main Stem Reliability

As stated in the Company's LTIP, PECO had experienced a rising trend in Main Stem cable failures since 2006, including some pronounced increases in failure rates.¹⁰ Since PECO began the implementation of its LTIP, Main Stem cable failures have steadily declined, as shown in the table below, which graphs the actual Main Stem fault data and provides a regression analysis showing the linear trend. PECO had approximately 100 Main Stem cable faults in 2017 and expects this trend (for reduction in Main Stem faults) to continue. As such, no further changes to the LTIP are required for Main Stem cable.

¹⁰ Id. at 20.

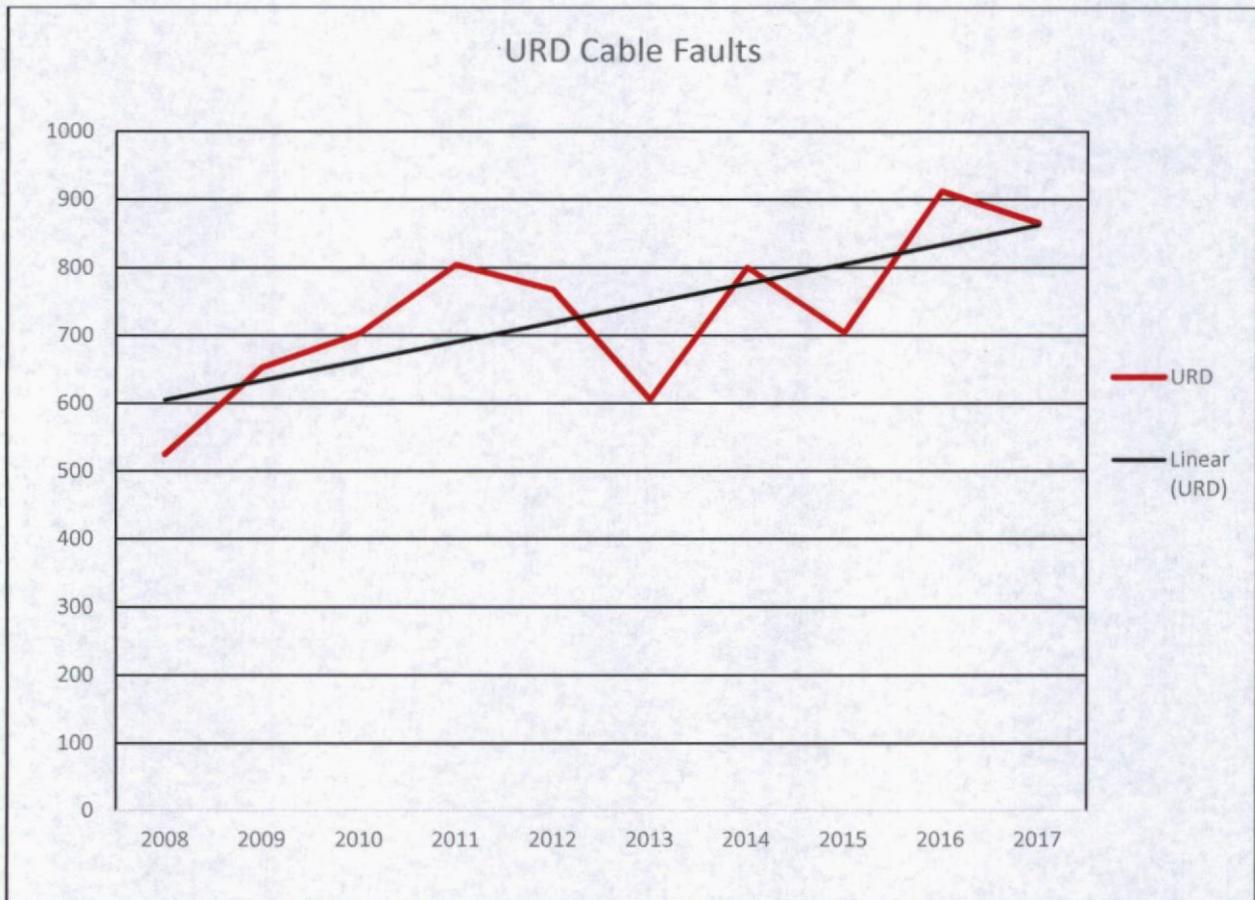


3) URD Reliability

As stated in the Company's LTIP, PECO had experienced a rising trend in URD cable failures since 2006, including some pronounced increases in failure rates.¹¹ In the first year of its LTIP (2016), PECO experienced a rise in failure rates as shown in the following table.

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¹¹ Id. at 22.

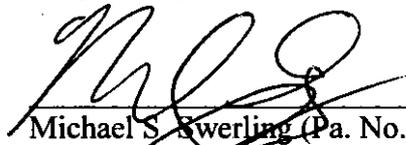


This increase occurred while PECO was ramping up its LTIIP program to address URD faults. In 2016, PECO spent approximately \$4.2 million to replace 8 miles of URD cable. (2016 AOP at 8). In 2017, PECO spent approximately \$9.3 million to replace 22 miles of cable (more than doubling its efforts) (2017 AOP at 7). PECO's URD faults began to decrease in coordination with its enhanced URD focus in 2017. Between 2018 and 2020, PECO's URD cable replacements will be at a 100 percent annual implementation level, while the Company spends approximately \$32 million each year to replace 32 miles of URD cable. PECO expects that this continued focus will further reduce its URD cable faults. As such, no further changes to the LTIIP are required for URD cable.

III. CONCLUSION

PECO appreciates the opportunity to comment on the performance of its electric LTIP. While the Company has adhered to its LTIP and improved reliability, it continues looking for opportunities to further enhance reliability. Therefore, while no changes are currently required for PECO to complete its existing LTIP, the Company may pursue additional reliability enhancements in the future through new LTIP filings. PECO looks forward to working with the Commission and other stakeholders as the Commission's review progresses.

Respectfully Submitted,



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Exhibit A

Million \$	2016 Plan	2016 Actual	2017 Plan	2017 Actual
Customers Experiencing Multiple Interruptions (CEMI)	\$ 7.7	\$ 8.0	\$ 10.0	\$ 9.9
Circuit Rebuild For Unit Substation Retirements	\$ 1.7	\$ 1.7	\$ 14.5	\$ 14.3
Main Stem Cable	\$ 8.2	\$ 8.3	\$ 18.0	\$ 18.8
URD Cable	\$ 4.2	\$ 4.5	\$ 10.0	\$ 9.3
Facility Relocation	\$ 10.0	\$ 10.9	\$ 12.2	\$ 20.5
Total	\$ 31.8	\$ 33.4	\$ 64.7	\$ 72.8

	2016 Plan	2016 Actual	2017 Plan	2017 Actual
Customers Experiencing Multiple Interruptions (CEMI)	5.0-8.0	10.0	6.0-9.0	10.0
Circuit Rebuild For Unit Substation Retirements	-	-	5.0	5.0
Main Stem Cable	8.0	10.8	17.0	18.1
URD Cable	8.0	9.6	19.0	22.0

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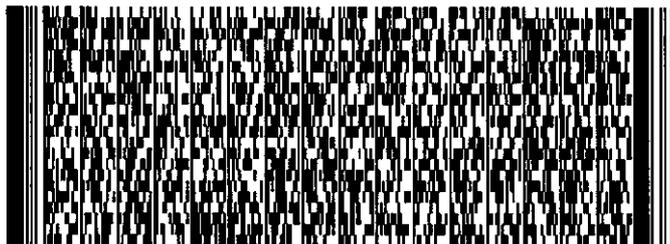
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