

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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February 15, 2019

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

Re: Petition of Metropolitan Edison Company for
Approval of Modification of its Long-Term
Infrastructure Improvement Plan
Docket No. M-2018-3000943

Dear Secretary Chiavetta:

Attached for electronic filing are the Comments of the Office of Consumer Advocate in the above-referenced proceeding.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Erin L. Gannon".

Erin L. Gannon
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Enclosures:

cc: Office of Administrative Law Judge
Daniel Searfoorce, Office of Technical Utility Services
Paul T. Diskin, Office of Technical Utility Services
Certificate of Service
*266631

CERTIFICATE OF SERVICE

Re: Petition of Metropolitan Edison :
Company for Approval of : Docket No. M-2018-3000943
Modification of its Long-Term :
Infrastructure Improvement Plan :

I hereby certify that I have this day served a true copy of the following documents, the Office of Consumer Advocate's Comments, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 15th day of February 2019.

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Dated: February 15, 2019
*266632

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Metropolitan Edison Company for :
Approval of Modification of its Long-Term : Docket No. M-2018-3000943
Infrastructure Improvement Plan :

COMMENTS OF THE
OFFICE OF CONSUMER ADVOCATE

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Dated: February 15, 2019

I. INTRODUCTION

In order to qualify for DSIC recovery, a utility must submit a Long-Term Infrastructure Improvement Plan (LTIIIP) for Public Utility Commission (Commission) approval. See 66 Pa. C.S. § 1352. On October 15, 2015, Metropolitan Edison Company (Met-Ed or the Company) petitioned the Commission for approval of its original LTIIIP, which was approved by the Commission on February 11, 2016. Petition of Metropolitan Edison Co. for Approval of LTIIIP, Docket No. P-2015-2504982, Order (Feb. 11, 2016) (Initial LTIIIP Order). This LTIIIP began with calendar year 2016 and ends in 2020.¹ In 2018, the Commission conducted a periodic review of Met-Ed's LTIIIP pursuant to 52 Pa. Code § 121.7. By Order entered on September 20, 2018, the Commission directed Met-Ed to file a modified or new LTIIIP addressing issues outlined in the Order (LTIIIP Review Order).

On January 18, 2019, Met-Ed filed a Petition for Approval of Modification of its LTIIIP. Met-Ed proposes to modify the LTIIIP by making all of the investment planned for 2020 in the year 2019 (in addition to the investment already planned for 2019) and increasing 2019 expenditures by an additional \$6.28 million (16.4%). Petition at 8-9; LTIIIP at 10-11. Regarding 2020 expenditures, the Company states that it will submit a new LTIIIP to cover the 5-year period 2020 through 2024. Id. In accordance with 52 Pa. Code Section 121.5(c), Met-Ed should file the new LTIIIP by August 30, 2019.²

In its modified LTIIIP, Met-Ed also indicates that it has updated its method for prioritizing replacements based on the Commission's recommendations and the advice of an independent

¹ The Company requested approval of a modification to its LTIIIP by Petition dated March 1, 2018, related to changes in the calculation of taxes resulting from Act 40 of 2016, 66 Pa. C.S. § 1301.1, which was granted on June 14, 2017. The changes did not modify the LTIIIP period.

² The Commission's regulations require utilities to submit new LTIIIPs 120 days before the expiration of an existing LTIIIP. 52 Pa. Code § 121.5(c).

consultant (PA Consulting Group, Inc.). Met-Ed states that programs targeted for accelerated investment are those that have the greatest impact on reliability (SAIDI and SAIFI benefits) per dollar spent. LTIP at 9, 11-12.

II. OCA COMMENTS

In this proceeding, the Commission must determine if Met-Ed's proposed modifications to its LTIP will accelerate infrastructure repair and replacement in a cost effective manner. See 66 Pa. C.S. § 1352(a)(5), (6). The OCA submits that certain additional information may be needed for the Bureau of Technical Utility Services (TUS) and the Commission to properly evaluate whether Met-Ed's LTIP meets this and other requirements of Act 11 of 2012, 66 Pa. C.S. §§ 1350-1360, and the LTIP Review Order.

A. Report Evaluating the Cost-Effectiveness of the LTIP Initiatives

With regard to the cost effectiveness requirement, the Company indicates that increased infrastructure investments should have a beneficial effect on SAIDI and SAIFI statistics for the Company. LTIP at 7. TUS and the Commission may consider seeking additional levels of detail in this area to ascertain how Met-Ed determined its LTIP's cost effectiveness.

The OCA and other parties raised a similar concern in their Comments on Met-Ed's initial LTIP filing. The Commission addressed the matter by directing the Company to provide a report, as follows:

Although the Commission receives an annual report on the progress of the LTIPs through the required Annual Asset Optimization Plans, as explained by FirstEnergy, the realization of the benefits and cost savings will take a period of time after the LTIP projects have been completed. Therefore, we shall require FirstEnergy to provide the Commission a report, within 120 days after the LTIP period ends, that evaluates the cost effectiveness of the LTIP initiatives for each of the operating companies.

Initial LTIIIP Order at 27-28. The OCA submits that if Met-Ed's revised LTIIIP is approved, the Commission should retain this requirement and require Met-Ed to provide the report 120 days after the end of the revised (shortened) LTIIIP period, *i.e.* 120 days after December 31, 2019.

B. LTIIIP Period

Met-Ed proposes to revise its current LTIIIP by shortening the period from 5 to 4 years. LTIIIP at 8-9. The Commission has stated that LTIIIPs should be a minimum of 5 years. Implementation of Act 11 of 2012, Docket No. M-2012-2293611, Final Implementation Order at 18-19 (Aug. 2, 2012) ("we determine that a five- to ten-year term for the LTIIIP is appropriate as this time period is forward-looking enough for utilities to make accurate predictions and also provides sufficient time for long-term planning of planned repairs and replacement of eligible property") (Final Implementation Order). Met-Ed states that its new LTIIIP will span a 5-year period and that additional time is needed to develop an LTIIIP that fully responds to the Commission's LTIIIP Review Order. LTIIIP at 4, 10-11. The OCA does not object to Met-Ed's proposal to shorten the current LTIIIP period to 4 years, if the new LTIIIP period covers at least 5 years, as required by the Final Implementation Order.

C. Projected DSIC Rates

During its periodic review, the Commission asked Met-Ed to project the DSIC rate at the end of the LTIIIP period (*i.e.* end of 2020) based on projected spending in the current LTIIIP. LTIIIP Review Order at 12-13 (Table 9); Secretarial Letter, Att. 1, Data Request TUS-1 (June 26, 2018). The OCA recommends that Met-Ed provide the same calculation for the end of the revised LTIIIP period (*i.e.* end of 2019) based on the Company's revised, increased spending projections.

D. Wood Pole Replacement

In the LTIIIP Review Order, the Commission stated:

The primary purpose of FirstEnergy's LTIIIPs is to help improve storm hardening, system resiliency, and reliability of distribution systems through sufficient infrastructure improvement initiatives that will strengthen, upgrade and modernized those systems.

LTIIIP Review Order at 17-18. The OCA suggests that Met-Ed provide additional information to explain how its wood pole replacement program will serve to meet the Commission's stated objectives with regard to its wood pole replacement program. Storm hardening efforts often include, for example, replacing the original wood poles with larger diameter poles, taller poles to avoid vegetation issues, and/or poles that are constructed of composite materials that are stronger and more resilient than the original wood poles. Met-Ed does not indicate whether and how the replacement poles will differ from those being replaced.

E. Summary of OCA Recommendations

In summary, the OCA submits that supplemental information may be needed by the Commission and its staff in their review of Met-Ed's modified LTIIIP for compliance with the requirements of Act 11. The OCA recommends that the Commission require:

1. a report, within 120 days after the LTIIIP period ends, that evaluates the cost effectiveness of the LTIIIP initiatives for Met-Ed and
2. that the new LTIIIP period covers at least 5 years, as required by the Final Implementation Order.

The OCA also recommends that Met-Ed provide the following information:

3. a calculation of the Company's DSIC rate at the end of the LTIIIP period (*i.e.* end of 2019) for the end of the revised LTIIIP period (*i.e.* end of 2019) based on the Company's revised, increased spending projections and
4. an explanation how its wood pole replacement program will serve to meet the Commission's stated objectives with regard to its wood pole replacement program.

III. CONCLUSION

The OCA submits that, while it is not requesting a hearing in this proceeding at this time, the Company should provide additional information to allow the Commission to determine if Met-Ed's proposed LTIP modifications accelerate infrastructure repair and replacement in a cost-effective manner as required by Act 11 and the Commission's LTIP Review Order.

Respectfully submitted,



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