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March 1, 2019

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,



cc: Parties of Record

PECO ENERGY COMPANY
ANNUAL ASSET OPTIMIZATION PLAN FOR 2018 –
ELECTRIC OPERATIONS
Docket No. P-2015-2471423

PECO ENERGY COMPANY
ANNUAL ASSET OPTIMIZATION PLAN FOR 2018 – 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 ("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 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.¹

PECO hereby provides its AAO Plan for 2018 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 2018 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 2018, PECO spent approximately \$76.1 million on the LTIP project areas described below compared to \$78.5 million estimated in the LTIP for 2018. PECO met or exceeded its 2018 scope commitments for all planned LTIP work categories (i.e., CEMI improvements, Circuit Rebuilds Enabling Unit Substation Retirements, Main Stem cable replacements and URD cable replacements) for less than the estimated 2018 budgets.

¹ 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.

1. Customers Experiencing Multiple Interruptions (“CEMI”)

As shown in Exhibit A, PECO met its 2018 LTIIP goals for CEMI improvements. The LTIIP estimated that PECO would complete between eight and thirteen CEMI projects and actual results were 11. CEMI projects were completed in the following locations:

County	Number
Delaware	3
Chester	4
York	1
Montgomery	1
Bucks	2

The projects reduced the impact of storm conditions in these counties and involved: 1) replacing open wire and self-supporting cable installations with three-phase and single-phase spacer cable installations; 2) conversion and retirement of obsolete equipment; and 3) extending 34kV facilities to create sectionalizing loops. Additionally, PECO began preliminary CEMI work planned for 2019 (i.e., detailed project design, vegetation management and preliminary construction) in Chester, Delaware, York, Montgomery, and Bucks Counties. In 2018, PECO spent \$14.3 million on these CEMI projects compared to \$15.0 million estimated in the LTIIP.

2. Circuit Rebuild Enabling Unit Substation Retirements

As shown in Exhibit A, PECO met its LTIIP goal for Circuit Rebuild Enabling Unit Substation Retirements. The LTIIP estimated that PECO would rebuild six Unit Substation circuits and actual results were six. PECO retired two 4kV Unit Substations in Montgomery County, one 4kV Unit Substation in Chester County, and three 2.4kV Unit Substations in Philadelphia County. The associated circuits were rebuilt and upgraded to 13kV or 34 kV facilities. Additionally, PECO began preliminary Circuit Rebuild work for 2019 and 2020 (i.e., detailed project design, vegetation management, civil construction and electrical construction) in

Delaware, Chester, Bucks, and Philadelphia Counties. In 2018, PECO spent \$14.7 million for this Circuit Rebuild work compared to \$15.0 million estimated in the LTIIP.

3. Main Stem Cable Replacements

As shown in Exhibit A, PECO exceeded its LTIIP goal for Main Stem cable replacements for LTIIP year 2018. The LTIIP estimated that PECO would replace 17 miles of Main Stem cable and actual results were 19 miles. PECO completed four projects totaling 8.9 miles of replaced cable in Delaware County. These cable replacements will improve reliability for customers in Lower Merion Township. Additionally, PECO began main stem work originally planned for 2019 (i.e., detailed project design, material procurements and preliminary construction) on large projects in Philadelphia and Montgomery Counties. For 2018, PECO spent \$16.4 million on its Main Stem cable replacements compared to the \$18 million estimated in the LTIIP.

4. Underground Residential Development Cable Replacements

As shown in Exhibit A, PECO exceeded its 2018 LTIIP goal for URD cable replacements. The LTIIP estimated that PECO would replace 32.0 miles of URD cable and actual results were 32.9 miles. Approximately half of the URD cable replacements addressed reliability issues in Bucks County.

The remaining URD projects occurred in Delaware, Chester, Montgomery, and Philadelphia Counties. In Delaware County, PECO replaced 2.7 miles of cable for one development. In Chester County, PECO replaced 1.8 miles of cable for one development. In Montgomery County, PECO replaced 10.4 miles of URD cable in three developments. In Philadelphia County, PECO replaced 1.5 miles of cable for one development.

PECO also began URD work originally planned for 2019 (i.e., detailed project design and preliminary construction) in Chester, Delaware, Bucks, and Philadelphia Counties. In 2018, PECO spent \$15.4 million on URD cable replacements compared to \$17 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 2018 LTIIP did not include a projected number of relocations. The majority of the relocations occurred in Philadelphia County.

PECO continued relocating its facilities off the Amtrak corridor between the Philadelphia Zoo and Paoli at a cost of \$1.5 million. PECO also relocated its facilities in support of a PENNDOT project to reconstruct the Chestnut Street Bridge (at a cost of \$1.43 million) and a Philadelphia Water Department project at 40th Street and Parrish Street (at a cost of \$1.42 million). In 2018, PECO spent \$15.3 million on Facility Relocations as compared to \$13.5 million estimated in the 2018 AAO Plan.

B. Description of Facilities to be Improved in Upcoming 12-Month Period (2019)

PECO expects to meet or exceed its LTIIP goals/targets for 2019 (as specified below). From an overall financial perspective, PECO estimates that it will spend approximately \$73 million on these LTIIP projects in 2019.

1. Customers Experiencing Multiple Interruptions

PECO expects that it will meet or exceed its goal to complete between 8 and 13 CEMI projects in 2019 at an estimated cost of \$15 million. The majority of the 2019 CEMI projects will be located in Chester and Delaware Counties, with the remainder in York, Bucks, and Montgomery Counties. These projects will focus on 4kV to 34kV conversions, spacer cable and main cable installations, sectionalizing existing circuits, and construction/energization of a new 34kV line in Chester County.

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 4 kV circuits) in 2019 at an estimated cost of \$15 million. These projects will be located in Chester and Bucks Counties.

3. Main Stem Cable Replacements

PECO expects that it will meet or exceed its goal to replace 14 miles of Main Stem cable in 2019 at an estimated cost of \$15 million. PECO will rebuild Main Stem primary and secondary infrastructure in Montgomery, Chester, Delaware, and Philadelphia Counties.

4. Underground Residential Development Cable Replacements

PECO expects that it will meet or exceed its goal to replace 32 miles of URD cable in 2019 at an estimated cost of \$17 million. PECO will upgrade URD systems in Bucks, Philadelphia, Chester, and Delaware Counties.

5. Building Substation Retirement

PECO will develop plans to retire the Upper Darby Building Substation in 2019 at an estimated cost of approximately \$1 million. Initial work will include conceptual and detailed engineering design, environmental review and testing, material procurements, and vegetation management.

6. Facility Relocation

For 2019, PECO estimates that it will spend \$10 million on Facility Relocations based on currently scheduled projects.

IV. CONCLUSION

PECO hereby submits its AAO Plan for 2018, which results are further summarized in Exhibit A below.

EXHIBIT A

LTIP Expenditure (Million \$)

Category	2018 Plan	2018 Actual	2019 LTIP
Customers Experiencing Multiple Interruptions (CEMI)	\$15.0	\$14.3	\$15.0
Circuit Rebuild for Unit Substation Retirements	\$15.0	\$14.7	\$15.0
Main Stem Cable	\$18.0	\$16.4	\$15.0
URD Cable	\$17.0	\$15.4	\$17.0
Building Substation Retirement	\$0.0	\$0.0	1.0
Facility Relocation	\$13.5	\$15.3	\$10.0
Total	\$78.5	\$76.1	\$73.0

LTIP Goals (Projects/Miles)

	2018 Plan	2018 Actual	2019 LTIP
Customers Experiencing Multiple Interruptions (CEMI) (Projects)	8 - 13	11	8 - 13
Circuit Rebuild for Unit Substation Retirements (Projects)	6	6	6
Main Stem Cable (Miles)	17.0	19.0	14.0
URD Cable (Miles)	32.0	32.9	32.0
Building Substation Retirement	0	0	0

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF PECO ENERGY :
COMPANY FOR APPROVAL OF ITS :
ELECTRIC LONG TERM : DOCKET NO. P-2015-2471423
INFRASTRUCTURE IMPROVEMENT :
PLAN :

CERTIFICATE OF SERVICE

I certify and affirm that I have this day served a copy of the *2018 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

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Dated: March 1, 2019

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF PECO ENERGY :
COMPANY FOR APPROVAL :
OF ITS ELECTRIC LONG TERM : DOCKET NO. P-2015-2471423
INFRASTRUCTURE :
IMPROVEMENT PLAN :

VERIFICATION

I, Richard Cornforth, hereby declare that I am Director Engineering for PECO Energy Company; that as such I am authorized to make this verification on its behalf; that the facts set 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.

Dated: March 1, 2019

Richard Cornforth