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February 28, 2020

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 2019 - ELECTRIC OPERATIONS

Docket No. P-2015-2471423

PECO ENERGY COMPANY
ANNUAL ASSET OPTIMIZATION PLAN FOR 2019 - 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 LTIIIP (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 LTIIIP (Implementation Order at 30). AAO Plans are expected to: 1) demonstrate LTIIIP compliance and progress; and 2) identify a utility's near-term construction projects that will be funded by the DSIC, consistent with the LTIIIP.

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 LTIIIP; and (2) a detailed description of all the facilities to be improved in the upcoming 12 months.

II. PECO's Electric LTIIIP

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 LTIIIP 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 LTIIIP 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 2019 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 2019 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, 5) Building Substation Retirements, and 6) Facility Relocations (as specified below). From an overall financial perspective in 2019, PECO spent approximately \$79.4 million on the LTIP program areas described below compared to \$73.0 million estimated in the LTIP for 2019, which included execution of all 2019 projects as well as substantial efforts to begin engineering and construction on the 2020 electric LTIP plan. PECO met or exceeded its 2019 scope commitments for all planned LTIP work categories (i.e., CEMI, Circuit Rebuilds Enabling Unit Substation Retirements, Main Stem cable replacements, and URD cable replacements).

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 exceeded its 2019 LTIP goals for CEMI improvements. The LTIP estimated that PECO would complete between eight and thirteen CEMI projects and actual results were fourteen. The CEMI projects were completed in the following locations:

County	Number
Delaware	4
Chester	4
Montgomery	5
Bucks	1

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 2020 (i.e., detailed project design, vegetation management and preliminary construction) in Chester, Delaware, Montgomery, and Bucks Counties. In 2019, PECO spent \$14.1 million on these CEMI projects compared to the \$15.0 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 electric LTIP estimated that PECO would rebuild six Unit Substation circuits and actual results were six. PECO retired two 4kV Unit Substations in Chester County and four 4kV Unit Substations in Bucks County. The associated circuits were rebuilt and upgraded to 13kV or 34 kV facilities. Additionally, PECO began substantial preliminary Circuit Rebuild work for 2020 (i.e., detailed project design, vegetation management, civil construction and electrical construction) in Delaware, Chester, and Philadelphia Counties.

In 2019, PECO spent \$19.5 million for this Circuit Rebuild work compared to the \$15.0 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 2019. The LTIP estimated that PECO would replace 14 miles of Main Stem cable and actual results were 14.1 miles. PECO completed three projects totaling 5.8 miles of replaced cable in Philadelphia County, two projects totaling 3.7 miles in Delaware County, one project totaling 2.9 miles in Chester County, and one project totaling 1.7 miles in Montgomery County. Additionally, PECO began Main Stem work originally planned for 2020 (i.e., detailed project design, material procurements, and preliminary construction) on large projects in Philadelphia, Delaware, and Montgomery Counties. For 2019, PECO spent \$17.9 million on its Main Stem cable replacements compared to the \$15 million estimated in the LTIP.

4. Underground Residential Development Cable Replacements

As shown in Exhibit A, PECO met its 2019 LTIP goal for URD cable replacements. The LTIP estimated that PECO would replace 32.0 miles of URD cable and actual results were 32.6 miles. Over half of the URD cable replacements addressed reliability issues in Bucks County (18.2 miles), with the remaining projects located in Chester County (6.4 miles), Montgomery County (4.0 miles), and Delaware County (4.0 miles). PECO also began URD work planned for 2020 (i.e., detailed project design and preliminary construction) in Chester, Delaware, Bucks, and Philadelphia Counties. In 2019, PECO spent \$17.1 million on URD cable replacements compared to the \$17 million estimated in the LTIP.

5. Building Substation Retirement

As part of the electric LTIIP, PECO has committed to accelerating the retirement of obsolete building substations and all associated equipment operating at 4kV. In 2019, conceptual design began on the retirement of the Upper Darby 4kV Substation in Delaware County. This multi-year project will run through 2023 and convert all 4kV infrastructure served out of Upper Darby Substation to 13kV supported by a combination of new and existing circuits. Overall reliability will be improved by creating new 13kV circuit breakdowns, installation of new reclosers, and retirement of obsolete equipment. In 2019, PECO spent \$0.4 million on Building Substation Retirements compared to the \$1 million estimated in the LTIIP.

6. 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 2019 LTIIP did not include a projected number of relocations. The majority of the relocations occurred in Montgomery County.

PECO continued relocating its facilities in support of a PennDOT project to reconstruct the Chestnut Street Bridge (at a cost of \$1.8 million). PECO also relocated its facilities in support of a Montgomery County project on Lafayette Street in Norristown (at a cost of \$1.9 million). \$6.7 million was spent on smaller type PennDOT and Municipal projects. In 2019, PECO spent \$10.4 million on Facility Relocations as opposed to \$10.0 million estimated in the 2019 AAO Plan.

B. Description of the Facilities to be Improved in the Upcoming 12-Month Period (2020)

PECO expects to meet or exceed its LTIP goals/targets for 2020 (as specified below). From an overall financial perspective, PECO estimates that it will spend approximately \$86.9 million on these LTIP projects in 2020.

1. Customers Experiencing Multiple Interruptions

PECO expects that it will meet or exceed its goal to complete between 8 and 13 CEMI projects in 2020 at an estimated cost of \$15 million. The majority of the 2020 CEMI projects will be in Chester and Delaware Counties, with the remainder in 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 6 Unit Substations and rebuild the associated circuits (i.e., obsolete 4 kV circuits) in 2020 at an estimated cost of \$15 million. These projects will be in Chester, Delaware, and Philadelphia Counties.

3. Main Stem Cable Replacements

PECO expects that it will meet or exceed its goal to replace 12 miles of Main Stem cable in 2020 at an estimated cost of \$13 million. PECO will rebuild Main Stem primary and secondary infrastructure in Montgomery, 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 2020 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 continue to develop engineering plans for and begin construction on the multi-year Upper Darby Building Substation project in 2020 at an estimated cost of approximately \$12 million. This work will include finalizing conceptual and detailed engineering designs, environmental review and testing, long-lead material procurements, vegetation management, and underground civil construction.

6. Facility Relocation

For 2020, PECO estimates that it will spend \$14.9 million on Facility Relocations based on currently scheduled projects.

EXHIBIT A

<i>Million \$</i>	<i>2019 Plan</i>	<i>2019 Actual</i>	<i>2020 LTIP</i>
Customers Experiencing Multiple Interruptions (CEMI)	\$15.0	\$14.1	\$15.0
Circuit Rebuild for Unit Substation Retirements	\$15.0	\$19.5	\$15.0
Main Stem Cable	\$15.0	\$17.9	\$13.0
URD Cable	\$17.0	\$17.1	\$17.0
Building Substation Retirement	\$1.0	\$0.4	\$12.0
Facility Relocation	\$10.0	\$10.4	\$14.9
Total	\$73.0	\$79.4	\$86.9

	<i>2019 Plan</i>	<i>2019 Actual</i>	<i>2020 LTIP</i>
Customers Experiencing Multiple Interruptions (CEMI) (Projects)	8 - 13	14	8 - 13
Circuit Rebuild For Unit Substation Retirements (Projects)	6	6	6
Main Stem Cable (Miles)	14.0	14.1	12.0
URD Cable (Miles)	32.0	32.6	32.0
Building Substation Retirement	0	0	0

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 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: February 28, 2020


Richard Cornforth
Director Engineering

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 *2019 Annual Asset Optimization Plan relating to PECO Energy Company's Electric Long Term Infrastructure Improvement 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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and Wal-Mart Stores East, LP)*

A handwritten signature in blue ink that reads "JS Johnson". The signature is written in a cursive style with a small blue square mark to the right of the name.

Dated: February 28, 2020

Jennedy S. Johnson, Esquire
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