



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
400 NORTH STREET, HARRISBURG, PA 17120

IN REPLY, PLEASE
REFER TO OUR FILE

April 29, 2022

Docket No. M-2022-3031185
Utility Code: 110500

KIMBERLY A. KLOCK
ASSISTANT GENERAL COUNSEL
PPL ELECTRIC UTILITIES CORPORATION
TWO NORTH NINTH STREET
ALLENTOWN, PA 18101-1179
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**Re: Annual Asset Optimization Plan for PPL Electric Utilities Corporation–
Docket No. M-2021-3031185**

Dear Ms. Klock:

On March 1, 2022, PPL Electric Utilities Corporation (PPL) filed its Annual Asset Optimization Plan (AAOP), pursuant to 52 Pa. Code § 121.6.

The Commission’s regulations require utilities with an approved Distribution System Improvement Charge (DSIC) to file annually an AAOP with the Commission. The AAOP shall be filed 60 days after the prior 12 months of the company’s Long-Term Infrastructure Improvement Plan (LTIIIP) has expired, and pursuant to this timeframe for each successive AAOP. 52 Pa. Code § 121.6(a).

The AAOP must include:

- 1) A description that specifies all the eligible property repaired, improved, and replaced in the prior 12-month period under its LTIIIP and prior year’s AAOP.
- 2) A description of the eligible property to be repaired, improved, and replaced in the upcoming 12-month period.

The Commission is charged with reviewing each AAOP only to determine whether the utility is in substantial compliance with the repairs, improvements, or replacements of the specific eligible property in its approved LTIIIP, for the corresponding 12-month timeframes. 52 Pa. Code § 121.6(d). The Commission has delegated the review of AAOPs to the Bureau of Technical Utility Services.

Timely Filing

52 Pa. Code § 121.6(a)

A utility with an approved DSIC shall file with the Commission, for informational purposes, an AAO plan. The AAO plan shall be filed annually with the Commission 60 days after the 12

months of its LTIP has expired and under this time frame for each successive year of the term of the LTIP.

PPL's AAOP complies with this requirement.

Content

52 Pa. Code § 121.6(b)

An AAO plan must include:

- (1) A description that specifies all the eligible property repaired, improved and replaced in the prior 12-month period under its LTIP and prior year's AAO plan.*
- (2) A description of the eligible property to be repaired, improved and replaced in the upcoming 12-month period.*

PPL's AAOP substantially complies with this requirement.

Substantial Adherence to LTIP

52 Pa. Code § 121.6(d)

An AAO plan will be reviewed by the Commission only to determine whether the utility is in substantial compliance with the repairs, improvements or replacements of the specific eligible property in its approved LTIP for the corresponding 12-month time frames.

52 Pa. Code § 121.6(e)

Absent any major modifications to the LTIP or Commission action to reject an AAO plan within 60 days of its submission to the Commission, the AAO plan will be deemed approved. The Commission may extend its consideration period if necessary.

52 Pa. Code § 121.6(f)

If an AAO plan is rejected by the Commission, the utility will be notified of the plan's deficiencies and actions needed to repair, improve or replace eligible property to bring the utility into compliance with the work schedule in its approved LTIP. If the utility concludes that it needs to revise its LTIP to comply with the Commission's determinations, it shall file a petition for modification under § 121.5.

PPL's AAOP states it has included all the 30 asset groups originally included in its Second LTIP in the AAOP. PPL provided projected and actual eligible property replacement numbers for 2021, and original and revised projections for 2022. PPL in its AAOP has modified its eligible property and spending projections due to changing circumstances but does not

propose to eliminate any of its programs at this time or file a Major Modification to the Second LTIIIP and the expected performance of work in the 30 asset groups listed.

PPL states it will underspend on the original amount it projected to spend on DSIC-eligible projects due to some adjusted project costs from efficiency gains and refocused efforts. In 2021 PPL spent approximately \$143.63 million as compared to the forecasted spending in the Company's 2020 AAOP and the \$225.15 million projected in its Second LTIIIP. PPL projected DSIC-eligible expenditures of \$17.80 million in 2022 as compared to the Second LTIIIP spending projections of \$180.70, which is an approximate underspend of 3%.

Compliance with the LTIIIP is evaluated on a multiyear basis over the life of the LTIIIP. Construction and budget variations in individual years can be expected and it is reasonable to expect that over a multi-year timeframe, much of this variation will be mitigated or eliminated. In review of the current AAOP in conjunction with PPL's Second LTIIIP it is noted that there have been significant deviations (greater than 20% increase or decrease) in annual spending within a number of the Second LTIIIP's 30 asset groups.

Upon entering the last year of PPL's Second LTIIIP, an underspend of approximately 30% exists from the total planned Second LTIIIP Spending (2018 through 2021). While 13 of 30 asset groups contained in the Second LTIIIP are either currently on schedule or ahead of expected spending, 17 Groups are behind on Second LTIIIP proposed spending. The asset groups behind in spending and work performed exhibit underspends from approximately 44% to as much as 92%. The Commission recognizes the existence of possible issues that the COVID pandemic may have caused and impacted LTIIIP performance.

The 2022 AAOP does not propose a Major Modification to the company's LTIIIP.

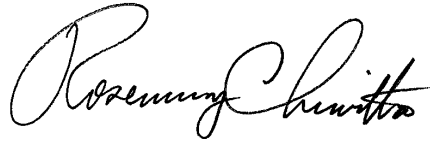
Conclusion

Upon review of PPL's AAOP filed on March 1, 2022, it appears that the filing may not fully comply with the requirements of 52 Pa. Code § 121.6, as utilities with a Commission-approved LTIIIP are obligated to comply with the infrastructure replacement schedule and elements of that LTIIIP. 52 Pa. Code § 121.8. PPL's AAOP demonstrates some significant deviations from its Second LTIIIP work and expenditures on its asset groups. However, with consideration that this is the final year of PPL's Second LTIIIP, and filing of a third LTIIIP is expected, the Commission approves the AAOP. The Commission recommends PPL consider greater generalization in reference to asset groups for its anticipated third LTIIIP. PPL will be expected to comply with its infrastructure replacement schedule in its third LTIIIP.

This approval is contingent upon the possibility that subsequent audits, reviews and inquiries, in any Commission proceeding, may be conducted pursuant to 52 Pa. Code § 121.

If you are dissatisfied with the resolution of this matter, you may, as set forth in 52 Pa. Code § 5.44, file a petition with the Commission within twenty (20) days after the date of this letter. Please direct any questions regarding this filing to Harry R. Bidelspach Sr., Bureau of Technical Utility Services at hbidelspac@pa.gov.

Sincerely,

A handwritten signature in black ink, reading "Rosemary Chiavetta". The signature is written in a cursive style with a large initial "R" and a long, sweeping underline.

Rosemary Chiavetta
Secretary

cc: Kriss Brown, LAW
Richard Kanaskie, BIE
Dan Searfoorce, TUS
John Van Zant, TUS