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July 25, 2022

VIA eFILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

**Re: Petition Requesting Initiation of a Proceeding on Federal Funding Opportunities for
Utilities under the Infrastructure Investment and Jobs Act
Docket No.: P-2022-3032929**

Dear Secretary Chiavetta:

Enclosed for filing in the above-captioned proceeding is the Answer of PECO Energy Company to the Petition of the Office of Consumer Advocate, the Office of Small Business Advocate, and the Pennsylvania Utility Law Project. If you have any questions or concerns, please feel free to contact me directly at (215) 841-4608.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jack R. Garfinkle".

Jack R. Garfinkle

Enclosures

cc: Office of Administrative Law Judge (**email only**: crainey@pa.gov)
Sean Donnelly, Bureau of Technical Utility Services (**email only**: sdonnelly@pa.gov)
Office of Special Assistants (**email only**: ra-OSA@pa.gov)
Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition Requesting Initiation of a	:	
Proceeding on Federal Funding	:	Docket No. P-2022-3032929
Opportunities for Utilities under the	:	
Infrastructure Investment and Jobs Act	:	

**ANSWER OF PECO ENERGY COMPANY TO THE
PETITION OF THE OFFICE OF CONSUMER ADVOCATE, THE OFFICE OF SMALL
BUSINESS ADVOCATE, AND THE PENNSYLVANIA UTILITY LAW PROJECT**

Pursuant to 52 Pa. Code § 5.61, PECO Energy Company (“PECO” or the “Company”) hereby submits this Answer to the Petition filed by the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), and the Pennsylvania Utility Law Project (“PULP”) in the above-captioned docket.

I. INTRODUCTION AND BACKGROUND

On June 10, 2022, OCA, OSBA, and PULP (collectively, “Joint Petitioners”) jointly filed a Petition requesting the initiation of a proceeding that would require utilities to file periodic reports and comments with the Pennsylvania Public Utility Commission (“Commission”) detailing their efforts to obtain funds pursuant to the federal Infrastructure Investment and Jobs Act (“IIJA”), Pub. L. No. 117-58, 135 Stat. 429 (2021). The Commission issued a Secretarial Letter on June 23, 2022 directing that a copy of the Petition be served on all Pennsylvania jurisdictional fixed utilities. PECO was served with the Petition the same day.

According to the Petition, the Joint Petitioners believe a formal reporting procedure detailing, among other things, efforts to obtain funds pursuant to the IIJA would lead to greater collaboration, transparency, and efficiency among utilities, state agencies, and other stakeholders. *See* Petition at 3-4. The reports they seek as part of this proceeding would include, without limitation, the status of any IIJA funding applications and information on why and how

the utilities planned to obtain funding. *Id.* at 5. The reports would also center on the types of programs available under the IIJA, the actions utilities should take with respect to those programs, and recommendations for the Commission to facilitate the receipt of federal funds. *Id.*

PECO appreciates the Joint Petitioners' interest in the IIJA, and the Company agrees that coordination among the Commission, state agencies, and local governments will play a key role in contributing to the success of project applications. PECO has already begun outreach efforts to community stakeholders, in addition to evaluating the IIJA funding opportunities for which PECO is eligible. Notwithstanding, PECO does not believe a formal proceeding is necessary to evaluate the type of coordination and efficiency that the Joint Petitioners seek. As discussed more fully below, PECO plans to continue engaging with outside parties throughout the application process. More importantly, PECO believes that flexibility is required to maximize efforts to identify and obtain IIJA opportunities for itself, its customers, and its communities.

II. ANSWER

A. PECO Has Been Evaluating Projects Under the IIJA

PECO commends the Joint Petitioners for recognizing the opportunity that the IIJA offers to Pennsylvania's electric utilities to expand clean energy, improve grid resiliency, and provide for the safe and efficient delivery of electricity in the Commonwealth. PECO, along with its parent company Exelon, strongly supported the passage of the IIJA because of the programs it made available for PECO's customers and communities, as well as its direct funding opportunities. Thus, PECO agrees with the Joint Petitioners that the IIJA may offer an opportunity to support strategic investments that will deliver significant benefits to Pennsylvania residents.

As reflected in its history, PECO has successfully applied for federal funds to support transformational enhancements to its grid. The most notable success was PECO's \$200 million federal Smart Grid Investment Grant ("SGIG") award in 2009, which involved a collaborative effort with other stakeholders outside of a formal proceeding. Leveraging its experience from the SGIG application process and execution, PECO has been working to actively review the IIJA legislation and guidelines provided to date to identify potential funding application opportunities. That is, PECO's "diligent and thorough consideration" of the IIJA has already been well underway. *Id.* at 4.

PECO has organized teams of internal subject matter experts to analyze and identify potential projects that could be submitted as part of competitive funding applications. Among the factors taken into consideration in the analysis are program applicability, executability, risk, financial impact, community and customer benefits, equity, implementation timelines, workforce availability, and technology opportunities and challenges.

Two grid-related opportunities that PECO is exploring—Sections 40101 and 40107 of the IIJA—were identified in the Petition as IIJA programs that "may be available to Commission-regulated utilities." *Id.* at 1-2. Sections 40101 and 40107 are the largest programs for which electric utilities like PECO can directly apply for competitive funding from the U.S. Department of Energy ("DOE"). These programs—with funding totaling roughly \$5.5 billion—offer federal matching fund opportunities for a variety of eligible electricity grid enhancements, including hardening of the grid, and expanding "smart grid" investments in advanced communications, monitoring, information technology ("IT") and self-healing systems.

While Sections 40101 and 40107 are of interest to PECO, the DOE has not yet issued the Notices of Funding Opportunities ("NOFOs") for either section. These NOFOs and Funding

Opportunity Announcements (“FOAs”) provide critical information such as eligible uses of federal funding, minimum and maximum grant awards, project execution schedules, and mandatory reporting requirements. Absent the NOFOs and FOAs, PECO has only been able to evaluate project opportunities with presently available information.

1. Federally Administered Portions of Sections 40101 and 40107 Are Proportionately Large

The DOE will be responsible for distributing \$2.5 billion and \$3.0 billion over a five-year period for Sections 40101 and 40107, respectively. PECO anticipates that these federally funded programs will offer comparatively large maximum awards, increasing the likelihood that compliance costs associated with grant execution will be justified by financial benefits.

As noted above, PECO successfully applied for, and won, a \$200 million grant under the SGIG program in 2009 for its comprehensive Smart Grid Smart Meter project. PECO is considering opportunities expected to be available through these new programs. PECO fully intends to participate in any joint applications, as appropriate.

2. Pennsylvania’s Funding Allocation for Section 40101 Is Proportionately Small

Because of the way that funding formulas have been established for these programs under the IIJA, Pennsylvania is receiving a comparatively low proportion of available dollars. Namely, of the \$2.5 billion open to States under the IIJA, Pennsylvania only received \$40 million for distribution. For that reason, PECO anticipates that maximum awards available in the Commonwealth will also be comparatively low, though all federal compliance obligations will remain applicable.

Once Pennsylvania has developed its plan for distributing funding under Section 40101, PECO will determine if there are appropriate opportunities to seek funding in light of these

anticipated compliance obligations. State grant funding available under these programs may support customer-led reliability, resiliency and clean energy projects, and PECO stands ready to engage with customers interested in pursuing funding under these programs.

B. PECO Is Collaborating with Other Stakeholders on IIJA Opportunities

In addition to assessing its own IIJA opportunities, PECO has been collaborating with its customers and communities on energy-related funding opportunities for which PECO is not eligible to serve as a lead applicant per the provisions of the IIJA or federal agency requirements. Collaboration efforts include the following:

- Holding customer education webinars on IIJA with municipalities to provide an overview of program opportunities and offering PECO technical assistance and letters of support for projects.
- Co-hosting a webinar on the U.S. Environmental Protection Agency Clean School Bus Program in conjunction with the Delaware Valley Regional Planning Commission and the Eastern Pennsylvania Alliance for Clean Transportation.
- Providing technical assistance and a letter of support for SEPTA's Federal "Low-No" Grant application for more than \$35 million in funding to support electric capacity and resiliency at five depots in support of its Zero Emission Bus strategy.
- Providing presentations on IIJA opportunities at numerous public events, including the Microgrid Knowledge Global Conference in Philadelphia and the Green Growth: The Economic Potential in Clean Energy Conference sponsored by the Chamber of Commerce for Greater Philadelphia.

- PECO's Large Customer Services and Economic Development teams providing education materials and holding numerous one-on-one meetings with customers to discuss potential customer led IIJA projects.
- Joining a range of Pennsylvania stakeholders in support of Governor Tom Wolf's announced intention to pursue funding under the Federal Hydrogen Hub Program.

PECO intends to continue working closely with outside stakeholders on IIJA-related programs and supporting their grant applications whenever possible.

C. Utilities Require Flexibility in Determining IIJA Strategy

As evidenced by its internal and external efforts, PECO has already been exploring ways to pursue funds and programs available under the IIJA without a formal docket. PECO agrees with the Joint Petitioners that it is important to foster cooperation with the Commission and other stakeholders to ensure that the process of pursuing and obtaining funds available under the IIJA is as effective as possible. Indeed, PECO's experiences to date indicate that collaboration leads to successful results. Following PECO's 2009 SGIG award, the Company received feedback from the DOE that the level and breadth of stakeholder support and alignment demonstrated in PECO's application were a significant differentiating factor on its project. However, as demonstrated in 2009, successful applications do not require formal procedural mechanisms or full administrative proceedings.

Given the various factors that impact the types of projects being considered, PECO believes that each utility must have the flexibility to determine what project or projects offer the best balance of key factors such as customer benefits, likelihood of funding success, and executability. This flexibility becomes particularly necessary as NOFOs are issued, more information becomes available, and utility strategies evolve accordingly.

It is critical that the Commission and other state entities, including the Joint Petitioners, understand that the application process requires adaptability as utilities evaluate how to meet customer needs, especially as the IIJA requirements crystalize. Developing a successful grant application will be an extremely resource-intensive process. Requiring utilities to file reports with the Commission and engage in administrative proceedings throughout this process could ultimately hinder—rather than help—the application process by diverting resources from application development to administrative proceedings and compliance. In short, the Joint Petitioners’ request would place an additional burden on utilities that may jeopardize their abilities to obtain IIJA funding.

Further, the public nature of a formal docket poses an additional risk. Because reports filed as part of this proceeding would be available for public consumption, utilities outside of the Commonwealth would have an opportunity to review and usurp the ideas of Pennsylvania utilities. If they were to use Pennsylvania utility ideas to strengthen their IIJA applications, that could decrease the probability of Pennsylvania utilities being successful in the competitive funding process. Thus, public proceedings, in this context, could have serious negative impacts that would be felt most by Pennsylvania communities and businesses.

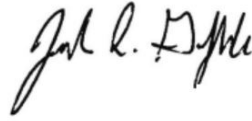
Again, PECO appreciates the Joint Petitioners’ interest in the IIJA and the benefits that it will provide to Pennsylvania residents, and the Company looks forward to ongoing communications regarding IIJA strategy. However, PECO does not believe a full docketed proceeding is a necessary or appropriate approach.

III. CONCLUSION

WHEREFORE, for the reasons stated above, PECO respectfully requests that the Commission deny the Office of Consumer Advocate’s, the Office of Small Business Advocate’s,

and the Pennsylvania Utility Law Project's joint Petition to Initiate a Proceeding on Federal Funding Opportunities for Utilities under the Infrastructure Investment and Jobs Act.

Respectfully submitted,



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Dated: July 25, 2022

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VERIFICATION

I, Richard G. Webster, Jr., hereby declare that I am the Vice President of Regulatory Policy and Strategy 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 Answer are true and correct 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: July 25, 2022

Richard G. Webster, Jr.

Petition Requesting Initiation of a :
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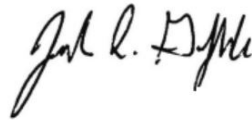
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Dated: July 25, 2022