



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

IN REPLY, PLEASE
REFER TO OUR FILE

April 17, 2023

Docket No. M-2023-3038536
Utility Code: 110550

RICHARD G WEBSTER JR
VP - REGULATORY POLICY & STRATEGY
PECO ENERGY COMPANY
2301 MARKET STREET S15
PHILADELPHIA, PA 19103
Dick.webster@peco-energy.com

**Re: Annual Asset Optimization Plan (AAOP) for PECO Energy Company at
Docket No. M-2023-3038536**

Dear Mr. Webster:

On February 28, 2023, PECO Energy Company (PECO) 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 LTIIIP has expired and under this time frame for each successive year of the term of the LTIIIP.

PECO'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 LTIIIP 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.*

PECO's AAOP substantially complies with this requirement.

Substantial Adherence to LTIIIP

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 LTIIIP for the corresponding 12-month time frames.

52 Pa. Code § 121.6(e)

Absent any major modifications to the LTIIIP 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 LTIIIP. If the utility concludes that it needs to revise its LTIIIP to comply with the Commission's determinations, it shall file a petition for modification under § 121.5.

PECO states that it spent approximately \$216.9 million on its LTIIIP (LTIIIP II) programs in 2022 as compared to the \$290.6 million estimated in its LTIIIP II (not including Facility

Relocations). PECO notes that its 2022 spending included execution of all 2022 projects as well as initiating engineering and construction for its third year of LTIIIP II, which begins in 2023.

PECO's AAOP notes that PECO met or exceeded its 2022 targets for all planned LTIIIP II work categories that include the following:

- Customers Experiencing Multiple Interruptions (CEMI).
- CEMI Targeted Circuits, Aerial Infrastructure Resiliency ("AIR") Areas, AIR Targeted Assets.
- Circuit Rebuilds Enabling Unit Substation Retirements.
- Main Stem cable replacements, and Underground Residential Development cable replacements.

PECO reports that, since the end of 2021 and during the second year (2022) of LTIIIP II, PECO hired an additional 67 equivalent full-time employees internally. PECO also avers that because of the 2022 LTIIIP II programs, an additional 184 equivalent full-time contracting resources gained employment due to LTIIIP II Programs.

PECO states that it expects to meet or exceed its LTIIIP II-eligible property replacement and improvement targets for 2023 while expending less than forecast in its LTIIIP II. PECO plans expenditures of \$246.70 million on LTIIIP II projects in 2023 as compared to its LTIIIP II projection of \$309.8 million, which is approximately 25% less.

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.

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

Accordingly, PECO's AAOP appears to substantially conform to the schedule set forth in the company's LTIIIP.

Conclusion

Upon review of PECO's AAOP filed on February 28, 2023, it appears that the filing substantially complies with the requirements of 52 Pa. Code § 121.6 and it is approved. 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., TUS, 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".

Rosemary Chiavetta
Secretary

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