



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

IN REPLY, PLEASE
REFER TO OUR FILE

April 22, 2024

Docket No. M-2024-3047020
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 for PECO Energy Company at Docket No. M-2024-3047020

Dear Mr. Webster:

On February 29, 2024, PECO Energy Company (PECO) filed its Annual Asset Optimization Plan (AAOP) for its electric operations, 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 of 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.

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 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.*

PECO'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.

The Commission has reviewed PECO's AAOP and found that PECO has generally complied with its LTIP spending goals and projects. PECO has also provided reasonable explanations for any issues and shortfalls. PECO states that it has met or exceeded its

commitments for the majority of planned 2023 LTIP work categories, including: Customers Experiencing Multiple Interruptions (CEMI) Areas, CEMI Targeted Circuits, Aerial Infrastructure Resiliency (AIR), AIR Targeted Assets, Circuit Rebuilds Enabling Unit Substation Retirements, and URD cable replacements.

PECO avers that many supplies it utilizes for LTIP projects have been negatively affected by recent supply chain issues. Specifically, PECO states that it experienced material delays and permitting issues which impacted the Main Stem cable replacement program. As a result, PECO states that it did not meet its commitment for Main Stem cable replacement as outlined in its LTIP. PECO further avers that during 2023, the company has increased its workforce by 65 full-time employees and has contracted 159 full-time contract employees.

PECO states that it spent approximately \$193.4 million on LTIP programs in 2023, as compared to the \$309.8 million estimated in its LTIP. PECO noted the underspend was caused by recent supply chain issues and permitting issues, in particular for the Main Stem cable replacement program. PECO notes that its 2023 spending included execution of all 2023 projects for which material and supplies were available, as well as initiating engineering and construction for its fourth year of LTIP, which begins in 2024.

PECO states that it expects to meet or exceed its LTIP eligible property replacement and improvement targets for 2024 and that it expects to spend approximately \$272.4 million on LTIP projects in 2024 in comparison to LTIP projection of \$309.9 million (approximately 13.7% less).

Compliance with the LTIP is evaluated on a multiyear basis over the life of the LTIP. 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 LTIP.

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

Conclusion

Upon review of PECO's AAOP filed on February 29, 2024, 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. Bureau of Technical Utility Services, at hbidelspac@pa.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Rosemary Chiavetta". The signature is written in a cursive, flowing style.

Rosemary Chiavetta
Secretary

cc: Kriss Brown, LAW
Allison Kaster, BIE
Dan Searfoorce, TUS
John Van Zant, TUS