



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

IN REPLY, PLEASE
REFER TO OUR FILE

April 25, 2024

Docket No. M-2024-3047062
Utility Code: 110500

KIMBERLY KLOCK
ASSISTANT GENERAL COUNSEL
PPL ELECTRIC UTILITIES CORPORATION
TWO NORTH NINTH STREET
ALLENTOWN, PA 18101-1179
KKlock@pplweb.com

**Re: Annual Asset Optimization Plan for PPL Electric Utilities Corporation at
Docket No. M-2024-3047062**

Dear Ms. Klock:

On February 29, 2024, 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 (LTIIP) 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 LTIIP 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 LTIIP, 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 includes all the 12 asset groups originally included in its LTIP. PPL provides projected and actual eligible property replacement numbers for 2023, and original and issued projections for 2024. PPL states it overspent on the original amount it projected to spend

on DSIC-eligible projects, due to some adjusted project costs, completion of projects, fundamental shifting of automation strategy to increase reliability returns, efficiency gains and refocused efforts. PPL states it spent approximately \$105.11 million in 2023, as compared to the LTIIIP forecasted spending of \$92.56 million. Overall PPL project completion was in line with LTIIIP expectations.

While overspending its LTIIIP projected expenses, PPL reports the overspend was primarily caused by procurement issues (supply chain), unforeseen failures and refocusing of efforts.

PPL states it will spend \$188.91 million on DSIC-eligible projects in 2024, as compared to the forecasted spending of \$102.21 million in PPL's LTIIIP. The Commission notes that this is the second year of PPL's LTIIIP and that PPL currently has a Petition for Approval of Major Modifications to its LTIIIP under consideration before the Commission (Major Modification).¹ PPL's forecast for spending in 2024 within its Major Modification is \$235.04 million, which would be an approximate 24.4% increase in spending based on PPL's forecast in its 2024 AAOP.

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 in its AAOP, however, as the Commission notes above, PPL has its Major Modification before the Commission for consideration.

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

Conclusion

Upon review of PPL'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 John Van Zant Bureau of Technical Utility Services, at jvanzant@pa.gov.

¹ See, *Petition of PPL Electric Utilities Corporation for Approval of Major Modifications to its Existing Long-Term Infrastructure Improvement Plan*, at Docket No. P-2022-3034972.

Sincerely,

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

Rosemary Chiavetta
Secretary

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