

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17120**

Public Meeting held June 13, 2024

Commissioners Present:

Stephen M. DeFrank, Chairman
Kimberly Barrow, Vice Chair
Ralph V. Yanora
Kathryn L. Zerfuss
John F. Coleman Jr.

Periodic Review of PECO Energy Company's Long-Term
Infrastructure Improvement Plan

M-2023-3044313

OPINION AND ORDER

BY THE COMMISSION:

On December 20, 2023, via Secretarial Letter, the Pennsylvania Public Utility Commission (Commission) initiated the periodic review of PECO Energy Company's (PECO) Long-Term Infrastructure Improvement Plan (LTIIP) for its electric operations as required by the Public Utility Code. 52 Pa. Code § 121.7(a). Unless otherwise directed, the periodic review shall begin at the midpoint of the term of the current LTIIP. PECO's current electric LTIIP began with calendar year 2021, and thus the midpoint is approximately July 1, 2023.¹

¹ See, *Petition of PECO Energy Company for Approval of its Second Long-Term Infrastructure Improvement Plan for its Electric Operations*, Order entered November 19, 2020, at Docket No. P-2020-3020974.

For the purposes of the periodic review, the Commission established a thirty (30) day comment period and a twenty (20) day reply comment period. No comments were received.

For the reasons expressed in this Opinion and Order, the Commission finds that PECO's LTIIIP is designed to ensure and maintain safe, adequate, reasonable, and reliable service and that PECO has substantially adhered to its plan.

BACKGROUND

Effective April 16, 2012, Act 11 of 2012, (Act 11) provides jurisdictional water and wastewater utilities, electric distribution companies (EDCs), and natural gas distribution companies (NGDCs) or a city natural gas distribution operation with the ability to implement a Distribution System Improvement Charge (DSIC) to recover reasonable and prudent costs incurred to repair, improve or replace certain eligible distribution property that is part of the utility's distribution system. The eligible property for the utilities is defined in 66 Pa. C.S. §1351. Act 11 states that as a precondition to the implementation of a DSIC, a utility must file a LTIIIP with the Commission consistent with 66 Pa. C.S. §1352.

The Commission promulgated regulations relating to LTIIIPs at 52 Pa. Code §§ 121.1 – 121.8 that became effective December 20, 2014. The Code provides that the periodic review will determine:²

1. If the utility has adhered to its LTIIIP.
2. If changes to the LTIIIP are necessary to maintain and improve the efficiency, safety, adequacy and reliability of the utility's existing distribution infrastructure.

² 52 Pa. Code § 121.7(b).

The Code further provides that if the utility's LTIP is found to be no longer adequate to ensure and maintain the efficiency, safety, adequacy and reliability of the utility's existing distribution infrastructure, the Commission would direct the utility to revise, update or resubmit its LTIP as appropriate. If the utility chooses not to abide by the Commission's direction in this regard, the utility may elect to withdraw its LTIP and forfeit its right to recover expenses through a DSIC. 52 Pa. Code § 121.7(d).

PERIODIC REVIEW OF PECO'S LTIP

PECO's LTIP covers the five calendar years 2021 through 2025. The stated long-term goal of PECO's LTIP is to enhance system resilience, reliability, and facility relocation and to recover reasonable and prudent costs incurred to repair, improve, or replace certain eligible distribution property that is part of PECO's distribution system as permitted by 66 Pa. C.S. § 1351. PECO's total projected cost for its LTIP is \$1,434.0 million.

As detailed in PECO's annual asset optimization plans (AAOPs), PECO's actual LTIP expenditures of \$613.5 million for the years 2021 through 2023 were \$200.6 million less than PECO's projected LTIP expenditures of \$814.1 million, or 24.64% less than projected.³ However, this was primarily due to some projects costing less than expected and by material shortages for the Main Stem Cable project caused by supply chain issues. As shown below, PECO appears to have met or exceeded its LTIP project goals, with the exception of the Main Stem Cable project. It appears that PECO's LTIP is on track to meet or exceed its LTIP goals in a reasonable and cost-effective manner.

³ PECO's AAOPs can be found at Docket Nos. M-2022-3031123, M-2023-3038536 and M-2024-3047020.

Table 1, below, details PECO’s actual and planned annual expenditures for the LTIP period 2021 through 2024.

Table 1: Actual and Planned LTIP Expenditures (in \$ Millions)

| PECO LTIP Projects | 2021 Planned LTIP Spending | 2021 Actual LTIP Spending | 2022 Planned LTIP Spending | 2022 Actual LTIP Spending | 2023 Planned LTIP Spending | 2023 Actual LTIP Spending | 2024 LTIP Planned Spending | 2024 AAOP Projected Spending | Total Actual Spending 2021- 2023 |
|---|-------------------------------------|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|------------------------------------|-------------------------------------|---------------------------------------|--|
| Customers Experiencing Multiple Interruptions (CEMI) Targeted Areas | \$ 13.50 | \$ 12.00 | \$ 13.50 | \$ 13.00 | \$ 13.50 | \$ 7.10 | \$ 13.50 | \$ 15.40 | \$ 32.10 |
| CEMI Targeted Circuits | \$ 6.50 | \$ 5.40 | \$ 6.60 | \$ 8.00 | \$ 6.70 | \$ 7.40 | \$ 7.20 | \$ 9.20 | \$ 20.80 |
| Aerial Infrastructure Resiliency Areas | \$ 4.90 | \$ 6.00 | \$ 5.00 | \$ 4.20 | \$ 5.10 | \$ 6.80 | \$ 5.20 | \$ 5.20 | \$ 17.00 |
| Aerial Infrastructure Resiliency Targeted Assets | \$ 30.30 | \$ 30.20 | \$ 70.00 | \$ 24.60 | \$ 71.00 | \$ 20.00 | \$ 71.00 | \$ 23.90 | \$ 74.80 |
| Building Substation Retirements | \$ 21.00 | \$ 14.40 | \$ 22.00 | \$ 17.00 | \$ 14.00 | \$ 9.90 | \$ 14.00 | \$ 27.20 | \$ 41.30 |
| Circuit Rebuild for Unity Substation Retirements | \$ 25.00 | \$ 29.00 | \$ 44.00 | \$ 36.30 | \$ 46.00 | \$ 30.70 | \$ 46.00 | \$ 41.60 | \$ 96.00 |
| Main Stem Cable | \$ 30.50 | \$ 37.30 | \$ 43.00 | \$ 40.40 | \$ 43.00 | \$ 24.20 | \$ 43.00 | \$ 30.10 | \$ 101.90 |
| Underground Residential Development (URD) Cable | \$ 51.50 | \$ 53.30 | \$ 80.00 | \$ 70.70 | \$ 87.00 | \$ 62.60 | \$ 90.00 | \$ 69.30 | \$ 186.60 |
| Switchgear Replacement Program | \$ 0.50 | \$ 0.20 | \$ 6.50 | \$ 2.70 | \$ 8.50 | \$ 8.70 | \$ 5.00 | \$ 19.90 | \$ 11.60 |
| Unreimbursed Facility Relocation | \$ 15.00 | \$ 7.30 | \$ 15.00 | \$ 8.10 | \$ 15.00 | \$ 16.00 | \$ 15.00 | \$ 30.60 | \$ 31.40 |
| Total | \$ 198.70 | \$ 195.10 | \$ 305.60 | \$ 225.00 | \$ 309.80 | \$ 193.40 | \$ 309.90 | \$ 272.40 | \$ 613.50 |

Table 2, below, details PECO’s actual and planned infrastructure improvements for the LTIIIP period 2021 through 2024 by LTIIIP project category.

Table 2: Actual and Planned PECO LTIIIP Project Area Progress

| PECO LTIIIP Projects | 2021 Planned LTIIIP | 2021 Actual LTIIIP | 2022 Planned LTIIIP | 2022 Actual LTIIIP | 2023 Planned LTIIIP | 2023 Actual LTIIIP | 2024 LTIIIP Planned | 2024 AAOP Projected |
|--|---------------------------|--------------------------|---------------------------|--------------------------|---------------------------|--------------------------|---------------------------|---------------------------|
| Customers Experiencing Multiple Interruptions (CEMI) Targeted Areas (Projects) | 8-13 | 12 | 8-13 | 10 | 8-13 | 10 | 8-13 | 8-13 |
| CEMI Targeted Circuits (Projects) | 3-4 | 5 | 3-4 | 3 | 3-4 | 3 | 3-4 | 3-4 |
| Aerial Infrastructure Resiliency Areas (Projects) | 2-5 | 3 | 2-5 | 2 | 2-5 | 5 | 2-5 | 2-5 |
| Aerial Infrastructure Resiliency Targeted Assets (Number of Assets) | 2,500-3,500 | 16,690 | 6,500-7,500 | 12,952 | 6,600-7,600 | 7,108 | 6,600-7,600 | 7,200-8,200 |
| Building Substation Retirements | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 |
| Circuit Rebuild for Unit Substation Retirements (Units) | 6-8 | 8 | 7-10 | 13 | 8-10 | 9 | 8-10 | 8-10 |
| Main Stem Cable (Miles) | 28-33 | 28 | 38-48 | 39 | 38-48 | 12 | 38-48 | 20-30 |
| Underground Residential Development (URD) Cable (Miles) | 95-110 | 96 | 150-170 | 150 | 155-175 | 156 | 160-180 | 160-180 |
| Switchgear Replacement Program | 0 | 0 | 0 | 0 | 0 | 0 | 2-3 | 2-3 |
| Unreimbursed Facility Relocation (no set number of projects) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

PECO’s infrastructure replacements and completed projects generally have met its LTIIIP goals for the years 2021, 2022 and 2023.

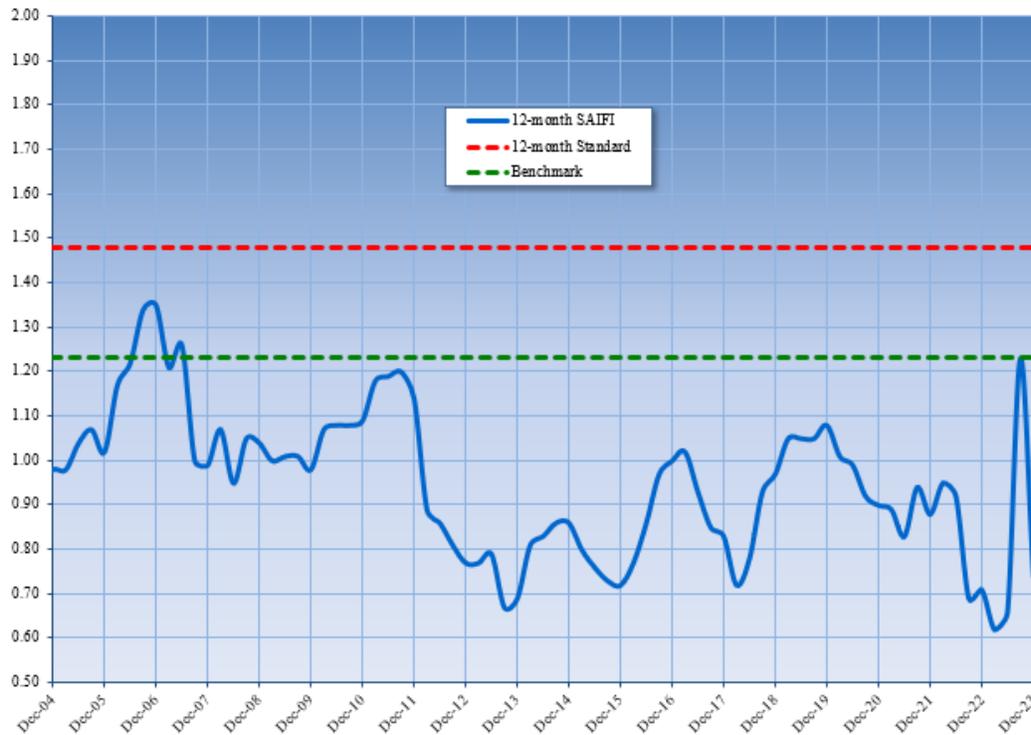
PECO appears to be on schedule for its LTIIIP Projects with the exception of the Main Stem Cable replacement. As noted in its 2024 AAOP, PECO fell short of expectations for its Main Stem Cable project goal in 2023 by 26 miles due to material supply chain issues.⁴ However, PECO achieved its goal for underground residential

⁴ See, *Annual Asset Optimization Plan For 2023 - Electric Operations*, filed on February 29, 2024, at Docket No. M-2024-3047020.

development (URD) cable replacements in 2023 with 156 miles installed. PECO continues to work on Building Substation Retirements and is expected to complete the Upper Darby 4kV Substation during 2024. PECO states that work will continue on the replacement of the Overbrook 4kV Substation during 2024.⁵

Table 3, below, details data regarding PECO’s SAIFI metric, which measures the average number of sustained service interruptions experienced by a customer in a rolling 12-month period.⁶ As can be seen below, PECO’s reliability appears to be improving since 2006 and it has maintained benchmark performance or better since 2007.

Table 3: PECO SAIFI from 2004 through 2023



⁵ *Id.*

⁶ The Commission reliability performance metrics are Customer Average Interruption Duration Index (CAIDI), System Average Interruption Frequency Index (SAIFI), and System Average Interruption Duration Index (SAIDI). An EDC’s rolling 12-month reliability metrics are expected to be at or below the determined performance benchmarks and are required to be at or below the determined performance standards. See, *Amended Reliability Benchmarks and Standards for the Electric Distribution Companies*, Order entered May 11, 2004, at Docket No. M-00991220.

RECOMMENDATION REGARDING UTILITY'S LTIP

Based on the analysis above, it appears that PECO is in compliance with its approved LTIP expenditure obligations. Additionally, PECO appears to be meeting its LTIP goals for infrastructure replacement, and resilience and reliability improvements.

The Commission finds that PECO's LTIP is designed to ensure and maintain safe, adequate, reasonable, and reliable service and that PECO has substantially adhered to its plan; **THEREFORE,**

IT IS ORDERED:

1. That the Long-Term Infrastructure Improvement Plan of PECO Energy Company is designed adequately to ensure and maintain safe, adequate and reliable service and that PECO Energy Company has substantially adhered to its plan.
2. That the proceeding at Docket No. M-2023-3044313 be closed.

BY THE COMMISSION,



Rosemary Chiavetta
Secretary

(SEAL)

ORDER ADOPTED: June 13, 2024

ORDER ENTERED: June 13, 2024