

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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April 16, 2015

Rosemary Chiavetta, Secretary
PA Public Utility Commission
Commonwealth Keystone Bldg.
400 North Street
Harrisburg, PA 17120

Re: Petition of PECO Energy Company (Electric
Operations) for Approval to Establish a
Distribution System Improvement Charge
Docket No. P-2015-2471423

Dear Secretary Chiavetta:

Attached for electronic filing is the Office of Consumer Advocate's Comments in the
above-referenced proceeding.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Brandon J. Pierce', written over the typed name and title.

Brandon J. Pierce
Assistant Consumer Advocate
PA Attorney I.D. #307665
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Attachment

cc: Office of Administrative Law Judge
Office of Special Assistants
Certificate of Service

*205374

CERTIFICATE OF SERVICE

Re: Petition of PECO Energy Company :
(Electric Operations) for Approval of :
a Distribution System Improvement : Docket No. P-2015-2471423
Charge :

I hereby certify that I have this day served a true copy of the foregoing document, the Office of Consumer Advocate's Comments, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code §1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 16th day of April 2015

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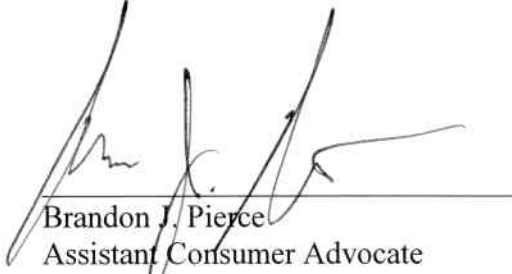
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A handwritten signature in black ink, appearing to read 'Brandon J. Pierce', is written over a horizontal line. The signature is stylized and cursive.

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205375

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of PECO Energy Company :
for Approval of its Electric Long-Term : P-2015-2471423
Infrastructure Improvement Plan :

COMMENTS OF THE
OFFICE OF CONSUMER ADVOCATE

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Dated: April 16, 2015

I. INTRODUCTION

On February 14, 2012, former Governor Tom Corbett signed Act 11 of 2012 (Act 11 or the Act) into law. Act 11 amends, *inter alia*, Chapter 13 of the Public Utility Code to permit water and wastewater utilities, Electric Distribution Companies (EDCs), Natural Gas Distribution Companies (NGDCs) and city natural gas distribution operations to petition for implementation of a Distribution System Improvement Charge (DSIC). See 66 Pa. C.S. §§ 1350-1360. In order to qualify for DSIC recovery, a utility must submit a Long-Term Infrastructure Improvement Plan (LTIIIP) for Commission approval. See 66 Pa. C.S. § 1352. See also In re: Implementation of Act 11 of 2012, Docket No. M-2012-2293611, Final Implementation Order at 21 (Aug. 2, 2012) (Final Implementation Order).

The following seven elements must be included in a utility's LTIIIP: (1) types and age of eligible property; (2) a schedule for its planned repair and replacement; (3) locations of the eligible property; (4) a reasonable estimate of the quantity of property to be improved; (5) projected annual expenditures and measures to ensure the plan is cost effective; (6) the manner in which replacement of aging infrastructure will be accelerated and how repair, improvement, or replacement will maintain safe and reliable service; and (7) a workforce management training plan designed to ensure that the utility will have access to a qualified workforce to perform work in a cost-effective, safe, and reliable manner. See 66 Pa. C.S. § 1352(a); see also Final Implementation Order at 17-19. It is the utility's burden to demonstrate that its proposed LTIIIP and associated expenditures are reasonable, cost effective, and designed to maintain safe, adequate, and reliable service to customers. Final Implementation Order at 20. The OCA submits that when a utility seeks recovery of costs expended pursuant to its LTIIIP in a future proceeding, the utility must demonstrate, *inter alia*, that the costs were reasonably and prudently

incurred. Further, the utility will have to demonstrate that there is no overlap of costs already reflected in base rates with costs expended pursuant to an LTIP. 66 Pa. C.S. § 1357(a)(1)(i).

A utility must file its proposed LTIP with the Public Utility Commission (Commission) and serve copies on statutory advocates and all active parties in the utility's last base rate case. 52 Pa. Code § 121.4(a). Once filed, a utility's proposed LTIP will be assigned to the Commission's Bureau of Technical Utility Services (TUS) for analysis. Final Implementation Order at 20. TUS is to make a recommendation to the Commission, and other parties may file comments to a proposed LTIP within 30 days of the date it was filed. 52 Pa. Code § 121.4(c). If any party's comments raise issues of material fact, the proposed LTIP will be referred to the Office of Administrative Law Judge (OALJ) for hearing and decision, which litigation must be completed within 120 days. Final Implementation Order at 20.

Pursuant to the Commission's LTIIP regulations, minor modifications will be addressed concurrent with Commission staff's review of the utility's annual asset optimization plan. 52 Pa. Code § 121.5(b). The Commission requires public notice and comment and Commission approval for significant modifications to an approved LTIP. 52 Pa. Code § 121.5(a). Further, as provided by Section 1353(b)(2), a utility's DSIC will be terminated if the Commission determines that the utility did not comply with its approved plan. 52 Pa. Code § 121.

On March 27, 2015, PECO Energy Company (PECO or the Company) filed its proposed Electric LTIP with the Commission. The OCA submits these Comments on PECO's proposed LTIP for the Commission's consideration. The OCA is not requesting a hearing at this time, but the OCA does submit that the Company should provide additional information in order to demonstrate that its LTIP is accelerated and cost effective as required under Section 1352(a).

II. COMMENTS

In its Petition, PECO asserted that its LTIP meets the seven requirements in Section 1352(a) and the Final Implementation Order. Attached to the Petition was PECO's LTIP, wherein the Company provided its plans to continue its investment in evaluating, improving, repairing and replacing its distribution-related facilities and equipment. Petition at 1-2; LTIP at 1-2. For the period 2016 through 2020, the subject of the LTIP filed here, PECO plans for its expenditures on DSIC-eligible plant to total \$324.3 million, with \$274.3 million for reliability related-improvements and \$50 million for facility relocation. LTIP at 1-2.

The stated goal of PECO's LTIP is to enhance PECO's reliability improvement efforts, including storm hardening and resiliency measures, replacement of underground cable, retiring and/or upgrading substations and distribution facilities, and relocating facilities. LTIP at 1-2. PECO states that it has consistently provided excellent reliability performance, as measured by the Commission's indices: the System Average Interruption Frequency Index (SAIFI); the System Average Interruption Duration Index (SAIDI); and the Customer Average Interruption Duration Index (CAIDI). PECO St. No. 1 at 3-4. PECO also states that it was the only large electric utility "with reliability performance better than its baseline score prior to restructuring (i.e., 1994-1998 five-year average of annual system wide metrics) in every quarter in 2013." PECO St. No. 1 at 4. PECO states that it is accelerating its investment in broad reliability measures in order to get ahead of trends that "evidence even marginal increases in interruption and failure rates" and address conditions with the potential to degrade performance before they seriously affect the reliability of service to its customers. PECO St. No. 1 at 7.

The OCA commends the Company for its considered discussion of each of the legislative and Commission elements required for the LTIP. As set forth below, the OCA submits that

certain additional information may be needed for Technical Utility Services and the Commission to properly evaluate whether PECO's LTIIIP meets all the requirements of Act 11 and the Final Implementation Order. The OCA notes that its recommendations are relatively specific, however, and are not intended to be critical of the LTIIIP filing as a whole.

In this proceeding, the Commission must determine if PECO's LTIIIP will accelerate infrastructure repair and replacement in a cost effective manner. See 66 Pa. C.S. § 1352(a)(5), (6). With regard to the required acceleration component, the Company must demonstrate that the acceleration of infrastructure repair and replacement set out in its LTIIIP is greater than the normally occurring infrastructure repair and replacement the Company has previously accomplished in order to meet its adequacy of service requirements set forth in Section 1501. See 66 Pa. C.S. § 1501. The OCA submits that additional information may assist the Commission in this determination because the Company's filing has not fully described how it will accelerate infrastructure repair and replacement.

Acceleration

1. Historic Spending and Rate of Replacement. The filing does not provide a breakdown of PECO's historical expenditures for the years prior to the 2016 to 2020 LTIIIP period. A clear, year-by-year comparison between historic and projected spending will assist the Commission to make necessary findings regarding acceleration.¹

¹ See, e.g., Petition of Columbia Gas of Pennsylvania, Inc., Docket No. P-2012-2338282, Order at 20-24 (Mar. 14, 2013) (Columbia DSIC Order); Petition of PECO Energy Co. – Gas Operations, Docket No. P-2013-2347340, Petition for Approval of Long Term Infrastructure Improvement Plan, Appendix A (Feb. 8, 2013) (providing planned expenditures by year from 2005 to 2017); Petition of PPL Electric Utilities Corp., Docket No. P-2012-2325034, Petition for Approval of Long Term Infrastructure Improvement Plan at 10 (Sept. 14, 2012); Petition of Peoples Natural Gas Co., Docket No. P-2013-2344596, Petition for Approval of DSIC, Exh. 2 at 23-24 (Jan. 31, 2013) (Peoples LTIIIP); Petition of Equitable Gas Co., Docket No. P-2013-2342745, Petition for Approval of DSIC, App. B, Att. 2 at 7, 9 (Jan. 29, 2013).

Likewise, PECO's filing does not provide a breakdown of its historic annual replacement and retirement for categories of plant to demonstrate how the DSIC will accelerate infrastructure repair and replacement.² The Commission may also want the Company to estimate how long it would have taken to make its projected replacements for the 2016 to 2020 period at its average historic rate of replacement.³

2. Commission Reports. Pursuant to Commission regulations, PECO makes biennial filings regarding inspection, maintenance, repair and replacement and periodic filings regarding the Company's capital investment plans. See 52 Pa. Code § 57.191 *et seq.* and 52 Pa. Code § 73.1 *et seq.*, respectively. Comparison of these reports with PECO's LTIP could assist the Commission in determining if PECO's LTIP meets the acceleration requirement in Act 11. Further, the OCA submits that these reports may be helpful to TUS and the Commission for review of future LTIPs. The Commission may wish to have PECO supplement its filing with this information and more detail on the acceleration contained in its LTIP before it makes a final determination.

Cost-Effectiveness

With regard to the cost effectiveness requirement, PECO indicates that its LTIP is cost effective, but the Company does not provide any calculations regarding avoided costs or other detailed information to assist the Commission in making that determination. The Commission may wish to have PECO supplement its filing with additional detail that supports the Company's assertion that its plan is cost effective.

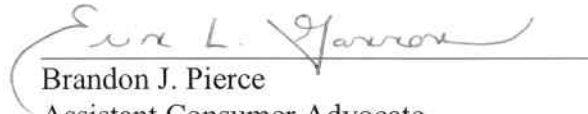
² Columbia DSIC Order at 20-21; Petition of Columbia Gas of Pa., Inc., Docket No. P-2012-2338282, Petition for Approval of Long Term Infrastructure Improvement Plan at 19-20 (Dec. 7, 2012) (Columbia LTIP); Peoples LTIP, Exh. 2 at 51.

³ Petition of Philadelphia Gas Works, Docket No. P-2012-2337737, Petition for Approval of Long Term Infrastructure Improvement Plan at 13-14 (Dec. 3, 2012); Columbia LTIP at 4-5, 8; Petition of Philadelphia Gas Works, Docket No. P-2012-2337737, Order at 17, 20 (Apr. 4, 2013).

III. CONCLUSION

The OCA submits that, while it is not requesting a hearing in this proceeding at this time, the Company should provide additional information with its filing to allow the Commission to determine if PECO's LTIP accelerates infrastructure repair and replacement in a cost effective manner as required by Act 11.

Respectfully submitted,



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