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February 27, 2026

Via E-Filing

Matthew Homsher, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, Second Floor
Harrisburg, PA 17120

RE: PECO Energy Company's Second Long-Term Infrastructure Improvement Plan
for its Gas Operations Docket No. P-2022-3034521

Dear Secretary Homsher:

Enclosed for filing in the above referenced matter is PECO Energy Company's Gas
Annual Asset Optimization Plan.

If you have any questions regarding this filing, please do not hesitate to contact
me at 215-841-5777.

Sincerely,

cc: Parties of Record

PECO ENERGY COMPANY

ANNUAL ASSET OPTIMIZATION PLAN FOR 2025 - GAS OPERATIONS

Docket No. P-2022-3034521

PECO ENERGY COMPANY

ANNUAL ASSET OPTIMIZATION PLAN FOR 2025 - GAS

Docket No. P-2022-3034521

I. INTRODUCTION

On February 14, 2012, Governor Corbett signed into law Act 11 of 2012 ("Act 11"), which amended the Pennsylvania Public Utility Code in several respects, including the addition of Subchapter B (66 Pa. C.S. §§ 1350-1360). Act 11 authorized the Pennsylvania Public Utility Commission ("PUC" or "Commission") to approve a distribution system improvement charge ("DSIC") upon petition by an electric distribution company, a natural gas distribution company ("NDGC"), a water utility or a wastewater utility. A DSIC authorizes a utility to recover the reasonable and prudent costs incurred to repair, improve or replace eligible property that is part of the utility's distribution system. The DSIC allows utilities to recover the costs of DSIC-eligible property placed in service between base rate cases and, therefore, is not included in the existing revenue requirement being recovered in the utility's base rates.

In addition, Subchapter B sets forth various requirements that must be satisfied by a qualifying utility in order to establish a DSIC and to recover the reasonable and prudent costs to repair, improve or replace eligible property.

On August 2, 2012, the Commission entered its Final Implementation Order in *Implementation of Act 11 of 2012* at Docket No. M-2012-2293611 ("Implementation Order"). The Implementation Order sets forth the Commission's expectations with regard to: 1) a Long Term Infrastructure Improvement Plan ("LTIIIP"), which must be filed as a precursor to a request to establish a DSIC (66 Pa.C.S. § 1352); and 2) Annual Asset Optimization Plans ("AAO

Plans"), which must be filed each year by a utility that has an approved DSIC and LTIIIP (66 Pa.C.S. § 1356).

According to the Implementation Order, AAO Plans are intended to provide an overall status report regarding a utility's progress in making infrastructure improvements pursuant to a Commission-approved LTIIIP (Implementation Order at 30). AAO Plans are expected to: 1) demonstrate LTIIIP compliance and progress; and 2) identify a utility's near-term construction projects that will be funded by the DSIC, consistent with the LTIIIP.

On May 22, 2014, 52 Pa. Code § 121.6 was adopted, which requires AAO Plan elements to include: (1) a description of all eligible property repaired, improved and replaced in the immediately preceding 12-month period pursuant to the utility's LTIIIP; and (2) a detailed description of all the facilities to be improved in the upcoming 12 months.

II. PECO's Natural Gas LTIIIP

A. LTIIIP I (2013-2022)

On February 8, 2013, PECO filed for *Approval of its Gas Long Term Infrastructure Improvement Plan* at Docket No. P-2013-2347340 ("LTIIIP I"). PECO's LTIIIP I was originally filed as a ten-year plan designed to increase its projected capital investment for replacing cast iron, wrought iron, and ductile iron mains as well as bare steel mains and services by \$20 million per year, from approximately \$14 million to \$34 million per year. This level of investment was designed to enable the Company to replace all of its oldest, high-risk cast iron mains and all of its bare steel mains in approximately 34 years.

On May 9, 2013, PECO's natural gas LTIIIP I was approved by Commission Opinion and Order. The Commission found that PECO's LTIIIP I conformed to the requirements of Act 11, the Final Implementation Order, applicable law and Commission policy.

On February 4, 2015, PECO filed its *Modified Gas Long Term Infrastructure Improvement Plan* (“First Modified LTIIIP I”) with the Commission. PECO proposed to modify its existing gas LTIIIP I for three primary reasons: 1) to further enhance the safety and reliability of the Company's gas distribution system; 2) to address a recommendation in the Commission’s 2013 Management and Operations Audit to accelerate the replacement rate of unprotected bare steel mains; and 3) to address revisions to 52 Pa. Code § 59.18 (the "Meter Location Regulations"), which required the relocation of indoor meters to outdoor locations.

The First Modified LTIIIP I increased the program’s annual spend from \$34 million to \$61 million by 2018 and the total estimated program cost from \$371.3 million to \$534.4 million, an increase of approximately 44%. Additionally, the Company’s First Modified LTIIIP I further accelerated the pace of cast iron and bare steel main replacements from a completion date of 2047 to 2035 or 20 years from the date of the modified LTIIIP I. Pursuant to 52 Pa. Code §§ 121.2 and 121.5, any change that increases the total estimated cost of an LTIIIP by more than 20% constitutes a "major modification" and requires the utility to file a separate petition for modification both explaining and justifying the change. On May 7, 2015, the Commission approved PECO’s First Modified LTIIIP I covering the period 2013 to 2022. Furthermore, on October 1, 2015, PECO’s Gas DSIC became effective.

On March 1, 2017, PECO filed its *Second Modified Gas Long Term Infrastructure Improvement Plan* (“Second Modified LTIIIP I”) with the Commission. The reasons for implementing the Second Modified LTIIIP I were to address: 1) the increase in estimated total costs of PECO’s existing LTIIIP which exceeded 20% of the estimated costs contained in the First Modified LTIIIP I; and 2) the existing LTIIIP’s annual service installation target which had not been achieved, and which required a modification to the target so that the replacement

schedule would not be extended beyond the term of the LTIIIP. PECO's proposed modifications increased its annual spend from \$57.6 million (under the First Modified LTIIIP I) to \$92 million in 2017, and, thereby, increased the total estimated program cost from \$534.4 million to \$761.9 million, an approximate increase of 43%. Additionally, PECO proposed incorporating an annual target range of 4,000-4,500 (as compared to the then-existing annual target of 3,850) for service line installations. On June 14, 2017, the Commission approved PECO's Second Modified LTIIIP I.

B. LTIIIP II (2023-2027)

On August 15, 2022, PECO filed for approval of its Second Gas Long Term Infrastructure Improvement Plan at Docket No. P-2022-3034521 ("LTIIIP II"). PECO's LTIIIP II is a five-year plan spanning the years 2023-2027. It is designed to accelerate infrastructure improvements to enhance reliability and safety. The plan consists of four primary project areas and a fifth category related to unreimbursed facility relocations: 1) Mains; 2) District Regulator Stations; 3) Indoor Meters; 4) System Reliability Improvement Project; and 5) Facility Relocations. During the five-year LTIIIP II period, PECO's expenditure is estimated to be \$1.19 billion, with \$1.16 billion for the above reliability projects and \$36 million for facility relocation work. On December 8, 2022, the PUC approved PECO's LTIIIP II.

Pursuant to 52 Pa. Code § 121.6(a), utilities with approved DSICs must make annual AAO Plan filings 60 days after the end of each LTIIIP year. Accordingly, PECO hereby provides its AAO Plan for 2025 and is filing copies of this AAO Plan with the Commission's Bureau of Investigation and Enforcement, the Office of Consumer Advocate, the Office of Small Business Advocate and the other interested parties in Docket No. P-2022-3034521.

III. REQUIRED ELEMENTS OF THE AAO PLAN

A. Description of all Eligible Property Repaired, Improved, and Replaced in the Immediately Preceding 12-Month Period Pursuant to PECO's LTIIIP II

Exhibit A¹ attached hereto provides summary data with respect to Main Replacements, District Regulator Stations, Indoor Meters, the System Reliability Improvement Project, and Facility Relocations that were made in LTIIIP year 2025 pursuant to the LTIIIP II. In 2025, PECO spent approximately \$230.8 million on the LTIIIP project areas described below compared to \$250.4 million estimated in LTIIIP II and the \$227.6 million that was forecasted in the 2024 AAO Plan. The cost variance comparing forecast to actual was driven by Southeast Reliability Project undesirable field conditions leading to project delays.

1) Main Replacements

As stated in the 2024 AAO Plan, PECO levelized main replacement volumes across the LTIIIP II filing and in 2025 met this revised main replacements forecast. The 2024 AAO Plan forecasted 66.7 miles of main replacement whereas LTIIIP II estimated 72-79 miles of main replacement. PECO executed 67 miles of main replacement. The mains replaced were located in Chester, Delaware, Bucks, and Montgomery counties. For 2025, PECO spent approximately \$202.2 million on main replacements compared to the \$226.3 million estimated in LTIIIP II and the \$202.5 million that was forecasted in the 2024 AAO Plan.

2) District Regulator Stations

Regarding district regulator stations, LTIIIP II estimated that six district regulator stations with a pre-1980 installation date would be replaced in 2025. PECO met its 2025 LTIIIP II goal, replacing or retiring six district regulator stations with a pre-1980 installation date. The district regulator stations replaced or retired were in Delaware, Bucks, Chester, and Montgomery

¹ Exhibit A also details estimated LTIIIP II spend in 2026.

counties. In 2025, PECO spent approximately \$3.6 million on district regulator station replacement compared to the \$3.0 million both estimated in LTIIIP II and forecasted in the 2024 AAO Plan. The variance in cost was a result of increased material costs and project scope changes.

3) Indoor Meters

Regarding indoor meters, LTIIIP II estimated that PECO would replace 3,850 meters under a proactive meter relocation program. PECO exceeded its 2025 LTIIIP II goal, relocating 4,395 indoor meters. The indoor meters replaced were in Chester, Bucks, Delaware, and Montgomery counties. In 2025, PECO spent approximately \$9.5 million on indoor meter replacement compared to the \$13.6 million from LTIIIP II and the \$11.2 million that was forecasted in the 2024 AAO Plan. PECO exceeded the goal with favorable spend due to leveraging work done in other asset replacement programs.

4) System Reliability Improvement Project

In PECO's LTIIIP II, it was estimated that PECO would begin work on a System Reliability Improvement Project in southeastern Bucks County. In 2025, PECO spent approximately \$1.9 million on this project compared to the \$0.0 million from LTIIIP II and the \$1.4 million that was forecasted in the 2024 AAO Plan. The variance in cost was a result of a change in project scope due to undesirable field conditions and delay in restoration from 2024 to 2025. Final restoration was completed in 2025 so no further costs will be incurred.

5) Facility Relocations

Regarding facility relocations, it was estimated in LTIIIP II that PECO would spend approximately \$7.6 million on these projects in 2025. PECO spent approximately \$13.6 million for facility relocations in 2025. These costs arise when PECO moves facilities at the direction of

the state, municipality, or other governmental entity to construct a new road or to perform other construction. These costs are difficult to predict and estimate because PECO does not control when facilities will need to be relocated.

B. Description of the Facilities to be Improved in the Upcoming 12-Month Period (2026)

PECO expects to meet its LTIIIP II goals for 2026 as originally filed (as outlined below and in Exhibit A), with the exception of main replacements. PECO has revised its main replacement goal to reflect levelized mileage that will still allow PECO to meet the 2035 completion target. As filed, PECO estimated a total of approximately \$256.3 million for LTIIIP II projects in 2026. From an overall financial perspective, PECO now estimates that it will spend approximately \$238.0 million on the following LTIIIP II projects in 2026.

1) Main Replacements

- a. Based on the levelized main replacement approach as stated in the 2024 AAO Plan, PECO forecasts replacing 64.8 miles of main in 2026 at an estimated cost of \$208.2 million, versus the 72-79 miles included in the LTIIIP II filing at a cost of \$234.2 million. The lower costs expected compared to the LTIIIP II levels are due to reduced mileage. PECO expects that the majority of the mains to be replaced in 2026 will be located in Chester, Delaware, Bucks, and Montgomery counties.

2) District Regulator Stations

- a. Due to favorable cost per unit of replacement as well as availability of resources, PECO expects to exceed its goal of six district regulator stations replacements filed in LTIIIP II for a total of ten, with an LTIIIP II-filed amount of \$3.0 million and at an estimated cost of \$4.6 million. PECO expects that

the majority of district regulator stations replaced in 2026 will be located in Bucks, Delaware, Montgomery, and Chester counties.

3) Indoor Meters

- a. PECO expects that it will exceed its goal to relocate 3,850 meters in 2026 and forecasts relocating 3,875 meters, with an LTIIIP II-filed amount of \$13.9 million and at an estimated cost of \$11.6 million due to favorable cost per relocation. PECO expects that the majority of indoor meters replaced in 2026 will be located in Chester, Delaware, Bucks, and Montgomery counties.

4) System Reliability

- a. Final restoration for the Southeast Reliability Project was completed in 2025 and no further costs will be incurred.

5) Facility Relocation

- a. In 2026, PECO estimates that it will spend \$13.6 million on Facility Relocations based on currently scheduled projects, which is above the amount filed in LTIIIP II of \$5.2 million.

EXHIBIT A

LTIP II

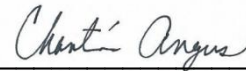
<i>Million \$</i>	<i>2025 LTIP II</i>	<i>2025 Actual</i>	<i>2026 LTIP II</i>	<i>2026 Forecast</i>
Base Main	\$34.2	\$42.6	\$35.0	\$40.8
Accelerated Main	\$192.0	\$159.6	\$199.2	\$167.4
Total Main	\$226.3	\$202.2	\$234.2	\$208.2
District Regulator Stations	\$3.0	\$3.6	\$3.0	\$4.6
Indoor Meters	\$13.6	\$9.5	\$13.9	\$11.6
System Reliability Improvement Project	\$0.0	\$1.9	\$0.0	\$0.0
Facility Relocation	\$7.6	\$13.6	\$5.2	\$13.6
Total	\$250.4	\$230.8	\$256.3	\$238.0

	<i>2025 LTIP II</i>	<i>2025 Actual</i>	<i>2026 LTIP II</i>	<i>2026 Forecast</i>
Base Main (Miles)	12 – 15	14.3	12 – 15	12.5
Accelerated Main (Miles)	56 – 63	52.7	56 – 63	52.3
Total Main (Miles)	72 – 79	67.0	72 – 79	64.8
District Regulator Stations	6	6	6	10
Indoor Meters	3,850	4,395	3,850	3,875

VERIFICATION

I, Chantee Angus, hereby declare that I am Vice President Gas for PECO Energy Company; that as such I am authorized to make this verification on its behalf; that the facts set forth in the foregoing Pleading are true to the best of my knowledge, information and belief, and that I make this verification subject to the penalties of 18 Pa. C.S. § 4904 pertaining to false statements to authorities.

Date: February 27, 2026



Chantee Angus
Vice President Gas

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF PECO ENERGY COMPANY :
FOR APPROVAL OF ITS GAS LONG TERM :
INFRASTRUCTURE IMPROVEMENT PLAN : DOCKET NO. P-2022-3034521

CERTIFICATE OF SERVICE

I certify and affirm that I have this day served a copy of the *2025 Annual Asset Optimization Plan relating to PECO Energy Company's Gas Long Term Infrastructure Improvement Plan*, in the above-referenced docket, on the following persons in the matter specified with the requirements of 52 Pa. Code § 1.54.

VIA ELECTRONIC MAIL

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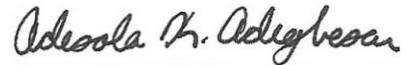
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Dated: February 27, 2026

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