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March 2, 2026

Matthew L. Homsher, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
P.O. Box 3265
Harrisburg, PA 17105

**Re: Peoples Natural Gas Company LLC
Annual Asset Optimization Plan Filing
Docket No. M-2026-**

Dear Secretary Homsher:

Enclosed on behalf of Peoples Natural Gas Company LLC is the Annual Asset Optimization Plan containing actual performance for the twelve months ended December 31, 2025 and projected performance for the calendar year 2026 from the Peoples Companies' recently approved LTIIP.

Respectfully submitted,

Carol Scanlon

Enclosure

cc: Certificate of Service
Matt Stewart, Bureau of Technical Utility Services (via E-mail)

Peoples Natural Gas Company LLC
2026 – 2030 Long-Term Infrastructure Improvement Plan (“LTIIIP”)
CY 2025 Annual Asset Optimization Plan

Background

On September 22, 2017, Peoples Natural Gas Company LLC, Peoples Natural Gas Division (“PNGD”) and Peoples Gas Division (“PGD”) (collectively the “Peoples or “the Company”), filed a combined distribution LTIIIP for 2017-2021. The petition was a revision of Peoples Natural’s and Peoples Gas’ current LTIIIPs. The Combined LTIIIP was approved on January 18, 2018.

Per Order entered on January 24, 2020, the Commission approved, with certain modifications, a Joint Petition for Settlement authorizing Aqua America Inc. to acquire the Peoples. As part of the approved settlement, Peoples committed to file a modified LTIIIP within six months following closing of the acquisition that further accelerated the rate of replacement of higher risk pipe after closing. The closing of the transaction occurred on March 16, 2020. On September 15, 2020, Peoples filed a Modified Combined Distribution LTIIIP for 2021-2025 in compliance with the commitments made in the aforementioned acquisition of Peoples by Aqua America Inc., now Essential Utilities Inc. (“Essential”). The Modified Combined Distribution LTIIIP was approved on January 14, 2021 at Docket Nos. P-2020-3022053 and P-2020-3021942. On March 15, 2024, Peoples filed for Approval of a Major Modification to its Combined Existing LTIIIP for both PNGD and PGD. On September 3, 2024, the Major Modification was approved.

Peoples notes that with the Commission’s approval of Peoples’ 2023 base rate case at Docket No. R-2023-3044549 on September 12, 2024, the rates and tariffs of the divisions were merged and the requirement to maintain separate books and records for the former PNGD and former PGD was terminated. As a result, this filing is combined and encompasses both former Divisions.

On August 29, 2025, Peoples filed its Third Distribution LTIIIP for 2026-2030 and was approved on December 18, 2025 at Docket No. P-2025-3057167.

Annual Asset Optimization Plan

In accordance with the requirements at 66 Pa. Code §1356, a utility with an approved DSIC must file an Annual Asset Optimization Plan (“AAOP”). The AAOP must contain:

- (1) A description that specifies all eligible property repaired, improved and replaced in the immediately preceding 12-month period pursuant to the utility's long-term infrastructure improvement plan and prior year's asset optimization plan.**
- (2) A detailed description of all the facilities to be improved in the upcoming 12-month period.**

1. A description that specifies all eligible property repaired, improved and replaced in the immediately preceding 12-month period pursuant to the utility's long-term infrastructure improvement plan and prior year's asset optimization plan.

The projects completed in 2025 by Peoples resulted in a reduction of 190 miles of LTIP eligible pipeline and replacement of 12,681 company-owned services, 9,423 customer-owned service lines and 79,939 meters. Please note the significant increase in meter replacement is due to Peoples initiative to install Intelis meters. Through the duration of the Combined Distribution LTIP (2021 – 2025), Peoples has removed/replaced 891 miles (+102%) compared to a target of 871 miles of the eligible pipelines.

Peoples Combined Distribution LTIP included projected total spending of \$468.5 million for 2025 projects. As a result of factors including: the increase of Intelis meter replacements, mix of projects and inflationary factors, Peoples spent \$516 million on 2025 projects or \$47.51 million (+10.1%) more than projected in the Combined Distribution LTIP, while removing 190 miles of at-risk pipe compared to a projected replacement of 186 miles.

More detailed analysis by category can be found in the attached Table 1.

2. A detailed description of all the facilities to be improved in the upcoming 12-month period.

The Third Distribution LTIP for Peoples reflects the higher spending commitments as required by the settlement commitment in the aforementioned acquisition of Peoples by Essential. The projected 2026 LTIP expenditures are stated in the currently approved Third Distribution LTIP in the amount of \$606.6 million, respectively. Peoples estimates that it will replace approximately 186 miles of pipeline in 2026.

Attached Table 2 provides further details on the projected amounts of 2026 LTIP facilities to be replaced and the related capital expenditures.

Peoples Natural Gas Company LLC

Annual Asset Optimization Plan (AAOP)

Comparison of 2025 from Combined Distribution LTIP to 2025 Project Completions

Table 1

	Property Repaired, Improved and Replaced As Projected for 2025 ^{1/}	Property Repaired, Improved and Replaced - 2025 Projects Completed
Pipe in Miles ^{2/}	186	190
Company Owned Services	9,525	12,681
Customer Owned Services	6,090	9,423
Meter Replacement	12,830	79,939
M&R Station and OPP ^{3/}	51	159
Capital \$		
Pipeline Replacement ^{4/}	\$358.9	\$478.5
Company Owned Services	\$57.8	<i>included above</i>
Customer Owned Services	\$29.7	<i>included above</i>
Meters ^{5/}	\$9.0	\$26.1
Fleet/Tools	\$0.0	\$0.0
M&R Station & OPP	\$13.1	\$11.4
Total	\$468.5	\$516.0

^{1/} See Major Modification petition approved September 3, 2024 (Docket Nos. P-2020-3022053 and P-2020-3021942)

^{2/} 2025 Actual Pipe by Type in Miles

Bare Steel	160
Coated Steel	19
Plastic	2
Cast Iron	1
Wrought Iron	6
AldylA/Fiberglass	2
	190.2

^{3/} M&R Station property quantities include the number of M&R stations improved by both traditional station upgrades and over pressure protection upgrades.

^{4/} Includes Mains, Company & Customer Owned Services and Transmission Lines

^{5/} Includes Other Meters, Inside Meters and Meter Move Outs

Peoples Natural Gas Company LLC
 Annual Asset Optimization Plan (AAOP)
 2026 LTIP Projections from Combined Distribution LTIP
Table 2

	Property Repaired, Improved and Replaced as Projected for 2026
Pipe in Miles	186
Company Owned Services	13,700
Customer Owned Services	10,400
Meter Replacement	125,680
M&R Station & OPP	346
Capital \$	
Pipeline Replacement ^{1/}	\$539.5
Company Owned Services	\$0.0
Customer Owned Services	\$0.0
Meters ^{2/}	\$46.3
Fleet	\$0.0
M&R Station & OPP	\$20.8
Total	\$606.6

^{1/} Includes Mains, Company & Customer Owned Services and Transmission Lines

^{2/} Includes Other Meters, Inside Meters and Meter Move Outs

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the participants listed below in accordance with the requirements of §1.54 (relating to service by a participant).


VIA EMAIL

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Date: March 2, 2026



Carol Scanlon