



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

IN REPLY, PLEASE
REFER TO OUR FILE

April 17, 2026

Docket No. M-2026-3060766
Utility Code: 122300

BRENDAN J. TAYLOR
VICE PRESIDENT
REGULATORY POLICY & STRATEGY
PECO
2301 MARKET STREET
S18
PHILADELPHIA, PA 19103
brendan.taylor@exeloncorp.com

Re: Annual Asset Optimization Plan for PECO Energy Company at Docket No. M-2026-3060766

Dear Brendan J. Taylor,

On February 27, 2026, PECO Energy Company (PECO) filed its Annual Asset Optimization Plan (AAOP) for its gas operations, 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 (LTIP) 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 LTIP 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 LTIP, 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 (TUS).

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 LTIIIP has expired and under this time frame for each successive year of the term of the LTIIIP.

PECO'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 LTIIIP 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.*

PECO's AAOP substantially complies with this requirement.

Substantial Adherence to LTIIIP

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 LTIIIP for the corresponding 12-month time frames.

52 Pa. Code § 121.6(e)

Absent any major modifications to the LTIIIP 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 LTIIIP. If the utility concludes that it needs to revise its LTIIIP to comply with the Commission's determinations, it shall file a petition for modification under § 121.5.

PECO's AAOP states that actual LTIIIP expenditures in 2025 were \$230.8 million. This represents a decrease of \$19.7 million, or 7.9%, from PECO's LTIIIP projection of \$250.5 million. This shortfall in spending was due to PECO's reduced mileage of main replacements completed in 2025 compared to its LTIIIP, as well as the reduction in the cost of replacing meters, as discussed further below.

In its LTIIIP, PECO had planned to replace a minimum of 72 miles of main in 2025. PECO's AAOP states that 67.0 miles of main were actually replaced in 2025, which is 6.9% less than projected. While the Company had projected to relocate 3,850 meters in 2025, PECO managed to relocate 4,395 meters, or 14.2% more than projected. Despite the additional meters relocated, PECO only needed to spend \$9.5 million on those relocations, which is \$4.1 million (30.1%) less than projected. PECO notes that it achieved these cost savings as many of these meter locations were completed in conjunction with other asset replacement projects, such as service or main replacements.

PECO estimates that it will not meet its planned LTIIIP expenditures in 2026 of \$256.3 million. Rather, it will instead only plan to spend \$238.0 million, 7.1% less than its LTIIIP projections. Correspondingly, PECO intends to replace 7.2, or 10.0%, fewer miles of main than planned in 2026. In TUS' discussions with PECO, PECO explains that to achieve its longer-term replacement goals, it has levelized its annual replacements of mains, rather than continuing to increase its annual targets. PECO states that it is doing this because there was a substantial incremental cost to continuing to ramp up its goals, and it was not necessary in order to successfully complete its replacement goals through 2035.

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.

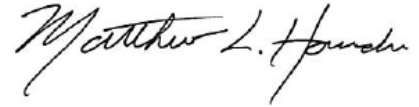
Accordingly, PECO's AAOP appears to substantially conform to the schedule set forth in the company's LTIIIP.

Conclusion

Upon review of PECO's AAOP filed on February 27, 2026, 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 Matthew Stewart, TUS, at mattstewar@pa.gov.

Sincerely,

A handwritten signature in black ink that reads "Matthew L. Homsher". The signature is written in a cursive style with a large, prominent initial "M".

Matthew L. Homsher
Secretary

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