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## I. INTRODUCTION

This decision recommends approval of the Joint Petition for Non-Unanimous Settlement. Only the Office of Consumer Advocate objects to the terms of the proposed settlement. The Joint Petition will permit Peoples Natural Gas Company to increase its annual revenue by \$93 million. The settlement also authorizes a weather normalization adjustment. Under the terms of the settlement, which approves the merger of the PNGD and PGD rate districts, a PNGD residential customer bill using 80 Mcf will increase from \$73.16 to \$81.85/month or 12.3% and a PGD residential customer bill using 80 Mcf will decrease from \$84.00 to \$83.00/month or -5%.

This decision also recommends approval of the Low-Income Stipulation which provides for improvements to Peoples' low income programs. No party objected to the Low-Income Stipulation.

## II. HISTORY OF THE PROCEEDINGS

On December 29, 2023, Peoples Natural Gas LLC, which includes Peoples Natural Gas Division (PNGD) and Peoples Gas Division (PGD) (collectively Peoples or Company), filed original Tariff Gas Pa. P.U.C. No. 48 to become effective February 27, 2024, containing proposed changes in rates, rules, and regulations calculated to produce \$156 million (18.7%) in additional annual revenues. Among other things, the tariff changes in the filing include the merger of the rate districts for PNGD and PGD, the addition of a weather normalization adjustment, and changes to several existing tariff riders. Under the proposed filing, a PNGD residential customer bill using 80 Mcf would increase from \$73.16 to \$88.79/month or 21.4% and a PGD residential customer bill using 80 Mcf would increase from \$84.00 to \$90.35/month or 7.6%.

On January 5, 2024, the Office of Consumer Advocate (OCA) filed a Formal Complaint<sup>1</sup> and the Bureau of Investigation and Enforcement (I&E) entered an appearance. The Office of the Small Business Advocate (OSBA) filed a Formal Complaint<sup>2</sup> on January 11, 2024. Petitions to intervene were filed by Pennsylvania Independent Oil & Gas Association (PIOGA) and the Pennsylvania Weatherization Providers Task Force (PWPTF) on January 9, 2024, and January 18, 2024, respectively.

By order entered on January 18, 2024, the Commission suspended the proposed tariff until September 27, 2024, and directed an investigation to determine the lawfulness, justness, and reasonableness of the rates, rules, and regulations contained in the rate filings.

By notice dated January 22, 2024, this matter was assigned to me and scheduled for a prehearing conference on February 2, 2024. A prehearing conference order was served on January 23, 2024.

On January 24, 2024, Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) filed a petition to intervene. Peoples Industrial Intervenors (PII) filed a Formal Complaint<sup>3</sup> on February 1, 2024.

The Prehearing Conference convened as scheduled. Counsel for Peoples, I&E, OCA and OSBA appeared, as well as PIOGA, PWPTF, CAUSE-PA and PII (collectively, Parties). At the Prehearing Conference I granted the petitions to intervene of PIOGA, PWPTF and CAUSE-PA. The Parties also agreed to a schedule for the service of written testimony, exhibits, and evidentiary hearings were scheduled to begin on May 9, 2024. The Parties further agreed to two days of in-person public input hearings and one day of public input hearings

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<sup>1</sup> C-2024-3045268.

<sup>2</sup> C-2024-3045385.

<sup>3</sup> C-2024-3045960. PII is an *ad hoc* group of energy-intensive customers receiving natural gas transportation service from Peoples. In this proceeding, members of PII include Duquesne University, Indiana Regional Medical Center and WHEMCO, Inc.

conducted by telephone. I issued a Prehearing Order on February 5, 2024, which memorialized the matters discussed at the Prehearing Conference.

Six individual consumers filed Formal Complaints in opposition to Peoples' proposed rate increase.<sup>4</sup> None of these individuals were active participants in the litigation.

On February 23, 2024, Peoples filed a motion for a Protective Order which was not opposed by any Party. I granted the motion by order entered on February 27, 2024.

Public input hearings were held on March 5 and 6, 2024 at 1:00 p.m. and 6:00 p.m. at locations in Butler and Monroeville, PA. Public input hearings by telephone were conducted on March 7, 2024 at 1:00 p.m. and 6:00 p.m.

The evidentiary hearing convened on May 9, 2024. Additional testimony was provided by six witnesses.<sup>5</sup> The Parties offered their written testimony and exhibits for admission into the record. That testimony was admitted. Counsel also informed me that all of the parties except for OCA had reached an agreement on all issues.

On May 10, 2024, I issued a briefing order which memorialized the instructions discussed at the hearing. That order required the filing of the joint petition for settlement, statements in support and main briefs to be filed on May 30, 2024. Objections to the settlement and reply briefs were due on June 13, 2024.

On May 30, 2024, Peoples, I&E, OSBA, PII and PIOGA filed a Joint Petition for Non-Unanimous Settlement along with statements in support. Peoples, CAUSE-PA and PWPTF filed a Low-Income Stipulation. Peoples filed a Present Revenue Stipulation which I&E, OSBA and PII joined. OCA and Peoples also filed Main Briefs in support of their litigation positions.

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<sup>4</sup> Terri Grinner, C-2024-3046069; William Weis, C-2024-3046877; Larry Feder, C-2024-3046233; Mary Frey, C-2024-3046469; Daniel Killmeyer, C-2024-3046888; Rachel Havrilla, C-2024-3046915.

<sup>5</sup> Carol Scanlon (Peoples); Ralph Zarumba (Peoples); Paul Moul (Peoples); David Evrard (OCA); Clarence Johnson (OCA); and Dan Weaver (PIOGA).

On June 13, 2024, OCA filed Comments in Opposition to the Settlement and a Reply Brief. Peoples, PII and OSBA each filed a Reply to OCA's Main Brief.

In accordance with the May 10, 2024 Briefing Order, the record closed on June 14, 2024.

### III. PUBLIC INPUT HEARINGS

Six public input hearings convened in this matter. A total of nine individuals testified.

**Monroeville.** Two in-person public input hearings were conducted in Monroeville. Three consumers testified in opposition to the rate increase.

Nick Hoffman testified at length and in great detail regarding his concerns about proposals in the rate filing.<sup>6</sup> He noted that as a public utility Peoples enjoys a monopoly, therefore the Commission should only approve "reasonable" requests to increase rates. Mr. Hoffman also expressed significant concern about the proposal for the Weather Normalization Adjustment (WNA). He pointed out that Peoples characterized the WNA as "revenue neutral" and questioned whether the additional charge to customers was factored into the calculation of the increase to residential customers. He also explained that the calculation of the WNA is so complex that customers would have a difficult time ensuring that it is calculated accurately on their bill. As an example, he shared his experience contacting Peoples to explain how the distribution system improvement charge (DSIC) on his bill was calculated and the difficulty representatives had answering his questions. He closed by observing the Peoples' parent company, Essential Utilities, has experienced robust revenue growth, which in his view, calls into question Peoples' need for increased revenue.

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<sup>6</sup> Tr. 47-61.

Benjamin Chiszar also testified.<sup>7</sup> Mr. Chiszar is a disabled veteran. He expressed concern that natural gas is detrimental to the environment. Like Mr. Hoffman, he questioned the need for an increase in revenue for Peoples when Essential Utilities is a healthy, economically robust company. He also testified that an increase in rates is detrimental to consumers who are already struggling with debt and high inflation.

Richard Culbertson<sup>8</sup> offered detailed testimony explaining his view that Peoples' rate filing should be closely audited by the Commission. He expressed concern that the filing included costs that were not prudent or reasonable. He complained, among other things, that customers and consumer complainants do not have adequate access to utility accounting and auditing records.

Five individuals representing community groups testified: Energy Innovation Center,<sup>9</sup> Laurel Highlands Council of Boy Scouts of America,<sup>10</sup> YMCA of Greater Pittsburgh,<sup>11</sup> Neighborhood Development Fund,<sup>12</sup> the Pittsburgh Downtown Partnership.<sup>13</sup> Each expressed gratitude for Peoples' support for their programming.

**Butler.** Two in-person public input hearings were conducted in Butler. Five consumers testified in opposition to the rate increase.

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<sup>7</sup> Tr. 84-90.

<sup>8</sup> Tr. 125-52.

<sup>9</sup> Rich DiClaudio, Tr. 61-76.

<sup>10</sup> Todd McGregor, Tr. 77-83.

<sup>11</sup> Richard Jewell, Tr. 109-17.

<sup>12</sup> Andrew Cheeseboro, Tr. 118-23.

<sup>13</sup> John Dougherty, Tr. 153-60

James Iman, Sr., testified that the rate increase will cause great hardship for him.<sup>14</sup> Joseph Byrnes, a retired steelworker, noted that in his entire working career, he never got an 18% raise. He and his wife, Luann Byrnes, a retired teacher, live on Social Security and his wife's pension. Given the small increases in Social Security, he believed a 3% increase would be more reasonable.<sup>15</sup>

Luann Byrnes, also testified in detail opposing the proposed increase, noting especially her opposition to the weather normalization adjustment. She explained that the WNA would not likely benefit customers because temperatures are warming. She stated that since businesses would also see higher energy costs, those costs would be passed on to consumers in the form of higher prices. Not only can her household not afford a rate increase, but her daughter and her husband will have difficulty affording a rate increase even though both of them are working. Mrs. Byrnes also noted that she worked as a school counselor before she retired and that it was not unusual to have a child come to her office wearing a coat because their house was so cold. She wondered how low-income people in Butler could afford a rate increase when "average" people like her and her husband would suffer hardship.<sup>16</sup>

John Kramer, a landlord, testified that the rate increase would not only affect him personally, but would also have an impact on his businesses and the tenants of his rental properties. Many of his tenants have difficulty affording rent, therefore an increase in gas utility service imposes an additional hardship. For rental units where the gas account is in his name, he would have to increase rent to cover the increased gas rates.<sup>17</sup>

Mark Krenitsky testified about a customer service problem he had regarding gas service at a rental property.<sup>18</sup>

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<sup>14</sup> Tr. 179-80.

<sup>15</sup> Tr. 181-83.

<sup>16</sup> Tr. 213-21.

<sup>17</sup> Tr. 229-235.

<sup>18</sup> Tr. 222-29. The Company subsequently investigated the customer's situation. *See Peoples St. 5-R* at 6.

Three individuals from an adult literacy program,<sup>19</sup> the Butler County Tourism Office,<sup>20</sup> and the Community Development Corporation of Butler County,<sup>21</sup> testified to express gratitude for Peoples' support for their programming.

**Telephone.** Two public input hearings were conducted by telephone. One person testified. David Dzombak testified in support of Peoples' infrastructure improvements in the City of Pittsburgh, but he had no opinion regarding the proposed rate increase.<sup>22</sup>

#### IV. PRESENT REVENUE STIPULATION

Peoples determined that it made an error when trying to appropriately reflect the volumes of an LGS customer in the initial filing. On May 30, 2024, Peoples submitted into the following stipulation:

1. Peoples Natural Gas Company LLC ("Peoples" or the "Company") has determined that it made an error when trying to appropriately reflect the volumes of an LGS customer in the initial filing
2. The Company removed about 1 Bcf of gas from the LGS category and added it to the negotiated rate category. However, it was unnecessary to remove the volumes from the LGS category as this is a new customer. Thus, the volumes and revenue at present rates were both understated.
3. The adjustment to present rates to correct this error is \$2,361,164. The parties agree that the present rates in this proceeding should be revised to \$835,576,673.
4. The effect of this adjustment reduces the Company's requested increase in revenues from \$156,026,122 to \$153,664,958.

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<sup>19</sup> Barbara Gade, Tr. 183-87.

<sup>20</sup> Jack Cohen, Tr. 188-93.

<sup>21</sup> Joe Saeler, Tr. 193-96.

<sup>22</sup> Tr. 273-77.

Peoples, I&E, OSBA, and PII agreed to the stipulation. OCA did not join the stipulation.

## V. LEGAL STANDARDS

### A. General Rate Increase Proceedings

At issue here is the Company's request for a general base rate increase, which is governed by Section 1308(d) of the Code. Section 1308(d) of the Code provides the procedures for changing base rates, the time limitations for the suspension of the new rates, and the time limitations on the Commission's actions.<sup>23</sup>

Section 1301(a) of the Code mandates that "[e]very rate made, demanded, or received by any public utility ... shall be just and reasonable, and in conformity with [the] regulations or orders of the [C]ommission."<sup>24</sup> Pursuant to the just and reasonable standard, a utility may obtain "a rate that allows it to recover those expenses that are reasonably necessary to provide service to its customers[,] as well as a reasonable rate of return on its investment."<sup>25</sup> There is no single way to arrive at just and reasonable rates, and "[t]he [Commission] has broad discretion in determining whether rates are reasonable" and "is vested with discretion to decide what factors it will consider in setting or evaluating a utility's rates."<sup>26</sup>

The Commission is required to investigate all general rate increase filings.<sup>27</sup> According to Section 315(a) of the Public Utility Code, the burden of proof to establish the

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<sup>23</sup> 66 Pa.C.S. § 1308(d).

<sup>24</sup> 66 Pa.C.S. § 1301(a).

<sup>25</sup> *City of Lancaster Sewer Fund v. Pa. Pub. Util. Comm'n*, 793 A.2d 978, 982 (Pa. Cmwlth. 2002) (*City of Lancaster*).

<sup>26</sup> *Popowsky v. Pa. Pub. Util. Comm'n*, 683 A.2d 958, 961 (Pa. Cmwlth. 1996) (*Popowsky II*).

<sup>27</sup> *Popowsky II*, 683 A.2d at 961.

justness and reasonableness of every element of a public utility's rate increase request rests solely upon the public utility.<sup>28</sup> The evidence necessary to meet that burden must be substantial.<sup>29</sup>

In general rate increase proceedings, the burden of proof does not shift to parties challenging a requested rate increase. Rather, the utility's burden of establishing the justness and reasonableness of every component of its rate request is an affirmative one, and that burden remains with the public utility throughout the course of the rate proceeding. There is no similar burden placed on parties to justify a proposed adjustment to the company's filing.<sup>30</sup>

However, in proving that its proposed rates are just and reasonable, a public utility need not affirmatively defend every claim it has made in its filing, even those which no other party has questioned:

While it is axiomatic that a utility has the burden of proving the justness and reasonableness of its proposed rates, it cannot be called upon to account for every action absent prior notice that such action is to be challenged.<sup>[31]</sup>

That is, Section 315(a) of the Code cannot reasonably be read to place the burden of proof on the utility with respect to an issue the utility did not include in its general rate case filing and which, frequently, the utility would oppose.<sup>32</sup> The burden of proof must be on the party who proposes a rate increase beyond that sought by the utility.<sup>33</sup> The mere rejection of

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<sup>28</sup> 66 Pa.C.S. § 315(a).

<sup>29</sup> *Lower Frederick Twp. Water Co. v. Pa. Pub. Util. Comm'n*, 409 A.2d 502, 507 (Pa. Cmwlth. 1980).

<sup>30</sup> *Berner v. Pa. Pub. Util. Comm'n*, 116 A.2d 738, 744 (Pa. 1955).

<sup>31</sup> *Allegheny Ctr. Assocs. v. Pa. Pub. Util. Comm'n*, 570 A.2d 149, 153 (Pa. Cmwlth. 1990) (citation omitted); see also *Pa. Pub. Util. Comm'n v. Equitable Gas Co.*, 73 Pa.P.U.C. 310 (1990).

<sup>32</sup> 66 Pa.C.S. § 315(a).

<sup>33</sup> *Pa. Pub. Util. Comm'n v. Metro. Edison Co.*, Docket No. R-00061366 (Opinion and Order entered Jan. 11, 2007).

evidence contrary to that presented by the public utility is not an impermissible shifting of the evidentiary burden.<sup>34</sup>

Section 523 of the Public Utility Code, also requires the Commission to “consider . . . the efficiency, effectiveness and adequacy of service of each utility when determining just and reasonable rates.” In exchange for customers paying rates for service, which include the cost of utility plant in service and a rate of return, a public utility is obligated to provide safe, adequate, and reasonable service.<sup>35</sup> Section 523 of the Public Utility Code, requires the Commission to “consider . . . the efficiency, effectiveness and adequacy of service of each utility when determining just and reasonable rates.”<sup>36</sup> As a result, the legislature has given the Commission discretionary authority to deny a proposed rate increase, in whole or in part, if the Commission finds “that the service rendered by the public utility is inadequate.”<sup>37</sup>

#### B. Legal Standards for Settlements

Commission policy promotes settlements.<sup>38</sup> In most cases, settlements lessen the time and expense that the parties must expend litigating a case, and at the same time, conserve precious administrative resources. Settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding.<sup>39</sup> The Commission has explained that parties to settled cases are afforded flexibility in reaching amicable resolutions, so long as the settlement is in the public interest.<sup>40</sup> In order to accept a settlement, the Commission must first determine that

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<sup>34</sup> *U.S. Steel Corp. v. Pa. Pub. Util. Comm’n*, 456 A.2d 686 (Pa. Cmwlth. 1983).

<sup>35</sup> *Pa. Pub. Util. Comm’n v. Pa. Gas & Water Co.*, 61 Pa.P.U.C. 409, 415-16 (1986). *See also* 66 Pa.C.S. § 1501.

<sup>36</sup> 66 Pa.C.S. § 523.

<sup>37</sup> 66 Pa.C.S. § 526(a).

<sup>38</sup> *See* 52 Pa. Code § 5.231.

<sup>39</sup> *See* 52 Pa. Code § 69.401.

<sup>40</sup> *Pa. Pub. Util. Comm’n v. MXenergy Elec. Inc.*, Docket No. M-2012-2201861 (Opinion and Order entered Dec. 5, 2013).

the proposed terms and conditions are in the public interest.<sup>41</sup> It is unusual for a proposed settlement in a general base rate case to be rejected.<sup>42</sup>

The Commission's policy permits parties to enter "partial" or "non-unanimous" settlements.<sup>43</sup> As with full settlements, partial settlements, whether involving a partial settlement of issues or a partial settlement of the parties involved (non-unanimous), must be reasonable and in the public interest.<sup>44</sup> The Commission has approved non-unanimous settlements as being just and reasonable and in the public interest and has not rejected or disfavored settlements because they are non-unanimous.<sup>45</sup>

The standards for approving the terms of non-unanimous settlements are the same as those for deciding a fully contested case, i.e., the parties to the non-unanimous settlement must demonstrate that the proposed settlement is supported by substantial evidence and that the rates agreed to are just and reasonable, in the public interest, and in conformity with the Commission's orders and regulations.<sup>46</sup>

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<sup>41</sup> *Pa. Pub. Util. Comm'n v. Windstream Pa., LLC*, Docket No. M-2012-2227108 (Opinion and Order entered Sept. 27, 2012); *Pa. Pub. Util. Comm'n v. C.S. Water & Sewer Assoc.*, Docket No. R-00881147 (Opinion and Order entered July 22, 1991).

<sup>42</sup> *Pa. Pub. Util. Comm'n v. Cmty. Utils. of Pa., Inc. – Wastewater Div.*, Docket No. R-2021-3025206, at 10 (Opinion and Order entered Jan. 13, 2022) (reversing the presiding officer's order recommending rejection of a joint petition for settlement of a rate case concluding that on balance, the settlement is in the public interest and should be approved).

<sup>43</sup> See 52 Pa. Code § 69.401; see also 52 Pa. Code §§ 5.232, 69.406.

<sup>44</sup> See *Pa. Pub. Util. Comm'n v. City of Bethlehem – Water Dep't*, Docket No. R-2020-3020256 (Opinion and Order entered Apr. 15, 2021) (*City of Bethlehem Water*).

<sup>45</sup> See, e.g. *City of Bethlehem Water*; *Pa. Pub. Util. Comm'n v. Pike Cnty. Light & Power Co. – Elec.*, Docket No. R 2020-3022135 (Opinion and Order entered July 21, 2021) (*Pike County*); *Pa. Pub. Util. Comm'n v. Pa.-Am. Water Co.*, Docket No. R-2020-3019369 (Opinion and Order entered Feb. 25, 2021) (*Pennsylvania-American Water Co.*).

<sup>46</sup> See 66 Pa C.S. § 1301; *Pike County*; *City of Bethlehem Water*; *Pennsylvania-American Water Co.*

VI. DESCRIPTION OF THE JOINT PETITION FOR APPROVAL OF NON-UNANIMOUS SETTLEMENT

A Joint Petition for Approval of Non-Unanimous Settlement (Joint Petition) was filed on May 30, 2024. The Joint Petition included the agreement of Peoples, I&E, OSBA, PII and PIOGA (Joint Petitioners) to resolve the issues raised in litigation by those parties. The Joint Petition includes:

- Appendix A: Proposed Combined Retail Tariff
- Appendix B: Proposed Single Supplier Tariff
- Appendix C: Proposed Revenue Allocation
- Appendix D: Proposed Rate Design

The Joint Petitioners each filed a Statement in Support of the terms of the Joint Petition, which are attached to the Joint Petition as Appendices E through G. I&E’s Statement In Support, at Appendix F of the Joint Petition for Settlement, included three Appendices:

- Appendix A – Rate Comparison by Customer Class
- Appendix B – Rate Tables
- Appendix C – Proposed Findings of Fact, Conclusions of Law, and Ordering Paragraphs

CAUSE-PA and PWPTF do not join the Joint Petition, but they do not oppose any of the settlement terms in the Joint Petition. CAUSE-PA and PWPTF resolved their issues in a separate “Low-Income” Stipulation (Low-Income Settlement). CAUSE-PA filed a Main Brief in support of the terms agreed to in the Low-Income Settlement.

VII. TERMS AND CONDITIONS OF THE NON-UNANIMOUS SETTLEMENT

The Joint Petitioners have agreed to the settlement terms as set forth below. These terms are stated verbatim and for ease of reference, retain the same paragraph numbers as they appear in the Settlement.

## A. REVENUE REQUIREMENT

42. Peoples will be permitted to increase rates by amounts designed to produce increased operating revenues of \$93.0 million annually based upon the level of operations for the twelve months ended October 31, 2025. This amount does not include the roll-in of existing surcharge revenues.

43. The Settlement Parties agree to use 5,341 Heating Degree Days (“HDD”). The Settlement Parties also agree that this number is the result of negotiations and does not reflect the acceptance or rejection of any parties’ methodology for calculating HDD and is not precedential or prejudicial against any methodology proposed by any party in any future proceeding.

44. The level of revenue requirement included in this Settlement reflects the resolution of the Settlement Parties’ positions in the dispute regarding the application of 66 Pa.C.S. § 1301.1 in this case.

45. As of the effective date of rates in this proceeding, Peoples will be eligible to include plant additions in the Distribution System Improvement Charge (“DSIC”) once the total projected plant in service balance exceeds the level projected by the Company in this proceeding at October 31, 2025. The foregoing provision is included solely for purposes of calculating the DSIC and is not determinative for future ratemaking purposes of the projected additions to be included in rate base in any Fully Projected Future Test Year (“FPFTY”) filing.

46. For purposes of calculating its DSIC, Peoples shall use the equity return rate for gas utilities contained in the Commission’s most recent Quarterly Report on the Earnings of Jurisdictional Utilities and shall update the equity return rate each quarter consistent with any changes to the equity return rate for gas utilities contained in the most recent Quarterly Earnings Report, consistent with 66 Pa. C.S. § 1357(b)(3), until such time as the DSIC is reset pursuant to the provisions of 66 Pa. C.S. § 1358(b)(1).

47. Peoples will file a Total Company Pennsylvania jurisdictional report showing capital expenditures, plant additions and retirements, by month, for the Future Test Year (“FTY”) ending September 30, 2024, and the FPFTY ending October 31, 2025, by January 31 of each of the years following the test years. In Peoples’ next base rate proceeding, the Company will prepare a comparison of its actual rate base additions for the twelve months ending October 31, 2025, to its projections in this case. However, it is recognized by Settlement Parties that this is a black box settlement that is a compromise of the Settlement Parties’ positions on various issues.

## B. TAX ISSUES

48. The Company's State Tax Adjustment Surcharge ("STAS") rate shall be reset to 0.00% upon the effective date of new rates.

49. Because the base rate increase under this Settlement includes no amount for state income tax expense, the Company will not reflect future reductions to the state income tax rate in the STAS during the period that these base rates remain in effect.

50. Within 90 days following the effective date of new rates in this proceeding, Peoples will file a revised Tax Repair Surcharge Rider ("TRSR") with the following adjustments:

A.) Adjustment to reflect the reduced tax benefits as a result of the reduction in the State Corporate Net Income ("CNI") rate. The state benefit will be returned to customers in the amount monetized;

B.) Adjustment to reflect the impacts of IRS Rev. Proc. 2023-15 ("Natural Gas Safe Harbor" or "NGSH") to the original 481(a) adjustment amount quantified in Docket No. P-2020-3021191 for the Peoples Natural Gas Division ("PNGD").

C.) Adjustment to reflect the impacts of the Natural Gas Safe Harbor 481(a) adjustment amount for the Peoples Gas Division ("PGD");

D.) Adjustment to reflect the impact of the 481(a) adjustment for Mandatory Relocations; and

E.) Extend the amortization period from the 5 years to 10 years including the amortized portion of the previous sur-credit authorized in Docket No. P-2020-3021191, including the aforementioned adjustments.

F.) Approval to defer in a regulatory liability all state tax benefits related to the aforementioned adjustments, including the full amount of state tax benefit addressed in Docket No. P-2020-3021191, for return to customers subject to monetization of Pennsylvania state Net Operating Losses.

51. The TRSR will apply to all customers of the combined Company, except for customers with negotiated rates.

52. The Parties agree that the revenue requirement incorporates a reduction to current state and Federal income tax expense based on net repairs deductions in the FPFTY of \$113,548,500.

53. Effective with Calendar Year 2025, the level of tax repair benefits claimed in the calculation of income tax expense shall have a collar of \$10 million

applied on the higher and lower end of the net repairs deductions incorporated into base rates. If the net repairs deductions for Peoples vary by more than \$10 million above or below the \$390,000,000 amount included in base distribution rates in this proceeding, Peoples will record a regulatory asset or liability for the related income tax expense impacts of the repairs deduction variations above \$400,000,000 or below \$380,000,000. The effective date of the collar will be January 1, 2025.

54. Peoples shall report on the regulatory asset or liability amounts of the net repairs deduction income tax impacts in its quarterly earnings reports after the conclusion of the FPFTY. Within 30 days of reporting a regulatory asset or liability with a net cumulative income tax impact amount of \$25 million or larger, Peoples shall file with the Commission and shall copy the statutory parties, a plan for recovering or refunding the regulatory asset or liability amount to customers.

55. If there are remaining deferrals of the differences in income tax expense for Peoples' net repairs deductions, the balance shall be addressed in Peoples' next base rate case based on the recorded regulatory asset and liability amounts.

56. Whether similar recording of the impact on current income tax expense from net repairs deduction variations above or below a collar in a regulatory asset or liability account should continue shall also be re-evaluated in Peoples' next base rate case.

57. The prospective impact of the Tax Cuts and Jobs Act ("TCJA") is reflected in the Settlement rates in this proceeding. Upon the effective date of rates in this proceeding, the TCJA Rider will continue to only apply to the former PG Division customers and the rate will be changed to only reflect the over/under collection refund/recovery.

58. The TCJA rate will recover or recoup any over/under collection over a twelve-month period. Any over/under collection amount remaining after the twelve-month period will be refunded or recouped in the Company's next 1307(f) gas cost proceeding.

59. Changes resulting from the enactment of the TCJA created differences in the deferred tax rates that were used prior to January 1, 2018, creating excess accumulated deferred income taxes. Peoples will continue amortizing the total excess ADIT using the Average Rate Assumption Method ("ARAM") upon the effective date of new rates. The remaining unamortized excess ADIT balance will continue as a reduction to rate base in all future proceedings until the full amount is returned to ratepayers.

60. As explained in Peoples Statement No. 6, the Company's request to recover any amounts refunded to customers that are not realized due to state NOLC [net operating income loss carryforward] limitations is approved. To the extent that

the benefit of the Company's state NOLC is affected by: (i) any disallowance due to the 40% taxable income limit and/or the 20 year carryforward limitation; (ii) any subsequent disallowance by a future IRS or Pennsylvania Department of Revenue audit; (iii) any changes in tax rate; or (iv) any change in rules or guidance that require a change to the originating amount of the NOL, the Company will be permitted to defer those impacts for future recovery from customers.

#### C. REVENUE ALLOCATION AND RATE DESIGN

61. The Settlement Parties agree to the revenue allocation set forth in Appendix C.

62. The revenue allocation represents an average of the OCA/I&E surrebuttal position, the OSBA surrebuttal position and Peoples surrebuttal position with the following adjustments:

1. Shifting approximately \$1.4 million from SGS to MGS to mitigate system average increases for the SGS customers; and

2. Reducing the LGS class allocation by the revenue change in the Present Revenue Stipulation to account for the revised LGS revenues.

63. The proposed rate design is set forth in Appendix D [of the Joint Petition. ]

64. The rate design includes a residential customer charge of \$16.80 per month, which reflects the rounded result of the mid-point between \$19.05 (the Company's position of \$21.50 per month scaled back for the reduced rate increase) and the OCA's position of \$14.50.

65. The methodology for determining the rate design was based upon scaling back the as filed Company rate increases for the reduction in the requested rate increase as compared to the settlement. Rates were then adjusted to ensure appropriate transitions in usage between the classes and other such adjustments.

#### D. MERGER OF PEOPLES NATURAL AND PEOPLES GAS DIVISIONS RATES AND TARIFFS

66. As proposed by the Company in its filing, the Settlement provides for merger of the separate current rates of the Company's PNG and PG Divisions into a single set of rate schedules and rates, except for certain of the LGS customer classifications, which are contained in a combined retail tariff, attached as Appendix A [of the Joint Petition]. The rates and provisions of the combined retail tariff are approved.

67. The Settlement also provides for a single supplier tariff, which is attached as Appendix B [of the Joint Petition].

68. With the combination and rates and tariffs of the Company's Divisions, the Settlement terminates the requirement of maintaining separate books and records for the Companies' PNG and PG Divisions as of the effective date of rates in this proceeding. Peoples' books and records for the 12 months ended December 31, 2024, and thereafter will be on a consolidated basis. Further, all reports and filings submitted to the Commission will no longer be provided by division and will only be reported on a consolidated basis as of the effective date of rates in this proceeding.

#### E. WEATHER NORMALIZATION ADJUSTMENT

69. The Company's proposed weather normalization adjustment ("WNA") is approved with the following modifications:

70. The Company will present the WNA charge or credit as a separate line item on customer bills.

71. The WNA will include a 3% deadband.

72. The WNA calculation will be performed on a bills rendered basis.

73. The WNA adjustment for bills rendered in May will not exceed 100 percent of the billed distribution amount (delivery charge amount plus customer charge amount) for that same period.

74. The Company will file a report annually with the Commission on or before September 1st for the 12-month period ending June of the same year. The filing will contain the following information on the WNA mechanism: a) monthly WNA billed revenue; b) monthly actual and normal HDD data; and c) number of customers and bill impacts by class (total amount of WNA adjustment as compared to total distribution amount) in billing periods where the NHDD/AHDD ratio exceeded 1.50.

#### F. POST EMPLOYMENT AND POST RETIREMENT BENEFITS

75. Peoples has been granted approval in Docket No. R-00943252 to continue to recover FAS 112 (Post-employment benefit costs) on a pay-go basis. Peoples will continue to recover these costs in rates consistent with that prior Commission order.

76. Peoples claim for Post-Retirement Benefits other than Pensions ("PBOPs") for the FPFTY of \$1,256,374 for current expense. The Settlement revenue increase includes this amount and this amount will be paid to a dedicated

trust account previously established by Peoples for this purpose. Peoples will continue to defer the difference between the annual PBOP expense calculated pursuant to FASB Accounting Standards Codification (“ASC”) 715 and the annual PBOP pay-as-you-go expense included in rates of \$1,256,374. Only the amounts attributable to operation and maintenance will be deferred and recognized as a regulatory asset or liability and will be expensed or credited in future rate proceedings over an amortization period to be determined in the next base rate proceeding.

#### G. AVC CHARGES

77. The Company’s proposal to apply Allegheny Valley Connector (“AVC”) charges in the Purchased Gas Adjustment Rider to customers of both the PNG and PG divisions is approved, effective October 1, 2024. The final rates will be established in the Company’s 2024 PGC proceeding at Docket No. R-2024-3045945.

#### H. CREDIT CARD PAYMENTS BY CUSTOMERS

78. The Company’s proposal to pay third party fees for customer payments by credit card, walk in payment, and debit card payments for both PNG and PG division customers is approved.

#### I. PRICE TO COMPARE (“PTC”) AND PURCHASE OF RECEIVABLES (“POR”) PROGRAM

79. The PTC for Priority 1 customers consisting of natural gas supply charges (a Commodity Charge and a Gas Cost Adjustment Charge (“GCA”)), a Merchant Function Charge (“MFC”) and a Gas Procurement Charge (“GPC”) (Rider G) are included in the settlement rates.

80. The Settlement Rates set forth the portion of the revenue requirement to be recovered via the MFC (2.200% of purchased gas costs for residential customers and 0.332% of purchased gas costs for small general service, medium general service and large general service) in Rider E and the GPC in Rider G. The GPC shall equal \$0.0865 per Mcf.

81. Peoples’ proposal to revise and update its POR discount rate and MFC to match the current write-off factor used to derive the Company’s bad debt revenue requirement and to revise and update the administrative rider designed recover incremental POR implementation costs is implemented in the Settlement Rates.

82. Any shortfall in recovery of the uncollectible expenses and administrative costs of the POR program will not be recovered from sales customers.

## J. LOW INCOME CUSTOMER ISSUES

83. As noted above, Peoples has agreed to a separate Low Income Stipulation with CAUSE-PA and PWPTF regarding their low income issues. The Settlement Parties agree to the following additional low income issues.

84. As explained in Peoples Statement No. 3 and further reflected in Peoples Exhibit CAS-3, Peoples will combine the Universal Service Riders (“USR”) of PNGD and PGD in a manner that does not adversely affect either one of the divisions.

85. The annual reconciliation period for the combined USR will be October – September. The annual 1307(e) reconciliation statement will be filed by October 31 of the same year for the period end and the reconciliation adjustment will be included in the rate calculation effective January 1 of the following year.

86. To align the two divisions, the annual reconciliation statement that will be filed by October 31, 2024 will include both divisions. For the PNGD, it will include the months of January 2024 – September 2024 and for the PGD, it will include October 2023 – September 2024. The combined reconciliation adjustment amount will be included in the rate calculation effective January 1, 2025.

87. Peoples will revise its Universal Service cost recovery tariff to reflect a bad debt offset of 4.70% for all CAP participation exceeding 30,800.<sup>[47]</sup> Peoples will no longer track CAP participation separately for its two divisions.

## K. COMPETITIVE RATE DISCOUNTS

88. On combination of the PNGD and the PGD as contemplated by this Non-Unanimous Settlement, the entire Company will be subject to the requirements of the Equitable Gas Company 2008 base rate settlement provision concerning justifying discounts in future base rate proceedings, which provides as follows:

B.3. Equitable will agree to maintain a highly confidential log of negotiated delivery service agreements available for review by the OTS, the OCA and the OSBA. The log will contain the following information related to negotiated agreements:

Customer number, effective date of the agreement, the reason(s) for offering a negotiated delivery

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<sup>47</sup> The value of this settlement term was corrected by the Settling Parties by letter dated July 10, 2024. See also Non-Unanimous Settlement Appendix A; Peoples St. 3-R at 38.

agreement, supporting work papers relied upon to substantiate the negotiated agreement, and an analysis which evaluates the contribution to overall fixed costs provided by each customer.

89. In implementing this provision in circumstances where a bypass of the Company's facilities is the customer's competitive option, the Company will work with the customer in future negotiations to develop an analysis of the likely construction cost of the bypass facilities and apply that estimate in determining, through negotiations, the discounted rate offered to the customer. This information will be included as a part of the confidential materials presented in the Company's initial filing in future base rate proceedings. The Company will also provide a confidential annual report to the Statutory Advocates listing all customers that currently are receiving a discounted rate due to any of the reasons contained herein. The confidential report will provide information regarding whether the customer is being offered the discounted rate due to gas-on-gas competition, potential bypass, economic reasons or alternative fuel reasons. The Company should include in its analysis the annual log information. In future base rate proceedings, the confidential materials presented as part of the Company's filing will include sworn affidavits from all discount customers as to the facts and reasons for the discounts as set forth in the Company supplied materials.

#### L. SAFETY

90. Barring any significant changes in policy, regulations or macroeconomics, the Company agrees to maintain its replacement rate efforts to ensure that it meets its commitments set forth in its Long-Term Infrastructure Improvement Plan ("LTIIP").

91. The Company agrees to monitor and capture data on leaks for first generation plastic in their risk reduction data collection and include the installation year, if available.

92. The Company agrees to further break down its cost per mile into categories expected to result in a more granular analysis of actual costs.

#### M. PIOGA SPECIFIC ISSUES

93. The gathering fee across the entire Peoples system, including PGD's facilities, will be \$0.24 per Mcf (as compared to the as filed rate of \$0.26 per Mcf).

94. Peoples shall use the existing moisture curve in the PNG Master Interconnect and Measurement Agreement ("MIMA") for production on all facilities (i. e. the legacy PNGD facilities, the legacy PGD facilities, and the legacy Equitable facilities).

95. Section 6.04 of the Company’s MIMA will be amended to include the following sentence at the end: “As soon as possible after the threat to the integrity and safe operation of the system or the economic reasons no longer exist, Peoples will use best efforts to limit flows of transmission or pipeline supplemental volumes to give conventional production flow-preference.”

96. Section 6.05(a) of the Company’s MIMA will be amended to include the underline portion of the following: “If the shut-in or discontinuance is caused by an emergency or other unplanned event, ...”

97. Section 6.05(c) of the Company’s MIMA will be amended to include the following sentence at the end: “only after Peoples has communicated cause and the producer given good-faith opportunity to propose a remedy and resolve the issue within a timeframe acceptable to the Company.”

98. PIOGA’s agreement to application of Rate AGS to producers that deliver gas to the PGD system is without prejudice to PIOGA challenging that application for prospective application in a future general rate proceeding filed by Peoples.

VIII. DISCUSSION OF THE REVENUE REQUIREMENT IN NON-UNANIMOUS SETTLEMENT

A. Components of the Revenue Requirement

A utility’s revenue requirement represents the total revenue that the utility needs to collect through rates charged to the public to cover its cost of service. The formula to calculate the utility’s revenue requirement is:

$$RR = E + ROR(RB)$$

Where:

RR = Revenue Requirement

E = Expenses (including depreciation and taxes)

ROR = Overall Rate of Return

RB = Rate Base

A public utility is entitled to an opportunity to earn a fair rate of return on the value of the property dedicated to public service.<sup>48</sup> In determining a fair rate of return, the Commission must adhere to the constitutional standards established by the United States Supreme Court in the seminal cases *Bluefield Water Works & Improvement Co. v. Public Service Commission of West Virginia*,<sup>49</sup> and *Federal Power Commission v. Hope Natural Gas Co.*<sup>50</sup> In *Bluefield*, the Supreme Court stated:

A public utility is entitled to such rates as will permit it to earn a return on the value of the property which it employs for the convenience of the public equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties; but it has no constitutional right to profits such as are realized or anticipated in highly profitable enterprises or speculative ventures. The return should be reasonably sufficient to assure confidence in the financial soundness of the utility and should be adequate, under efficient and economical management, to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties. A rate of return may be reasonable at one time and become too high or too low by changes affecting opportunities for investment, the money market and business conditions generally.<sup>[51]</sup>

Twenty years later, in *Hope Natural Gas*, the Supreme Court reiterated:

From the investor or company point of view it is important that there be enough revenue not only for operating expenses but also for the capital costs of the business. These include service on the debt and dividends on the stock. By that standard the return to equity owner should be commensurate with returns on investments in other enterprises having corresponding risks.

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<sup>48</sup> *Pa. Gas & Water Co. v. Pa. Pub. Util. Comm'n*, 341 A.2d 239 (Pa. Cmwlth. 1975) (citations omitted).

<sup>49</sup> *Bluefield Water Works & Improvement Co. v. Pub. Serv. Comm'n of W. Va.*, 262 U.S. 679 (1923) (*Bluefield*).

<sup>50</sup> *Federal Power Comm'n v. Hope Nat. Gas Co.*, 320 U.S. 591 (1944) (*Hope Natural Gas*).

<sup>51</sup> *Bluefield*, 262 U.S. at 692-93.

That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital.<sup>[52]</sup>

## B. Black Box Settlements

The Joint Petition is a “black box” settlement. That is, the Joint Petitioners have agreed to an overall revenue requirement without agreeing to each and every adjustment of the components of the rate filing. The Commission has historically permitted the use of “black box” settlements as a means of promoting settlement:

We have historically permitted the use of “black box” settlements as a means of promoting settlement among the parties in contentious base rate proceedings. Settlement of rate cases saves a significant amount of time and expense for customers, companies, and the Commission and often results in alternatives that may not have been realized during the litigation process. Determining a company's revenue requirement is a calculation involving many complex and interrelated adjustments that affect expenses, depreciation, rate base, taxes and the company's cost of capital. Reaching an agreement between various parties on each component of a rate increase can be difficult and impractical in many cases.<sup>[53]</sup>

The Commission has also stated:

Despite the policy favoring settlements, the Commission does not simply rubber stamp settlements without further inquiry. In order to accept a settlement such as those proposed here, the Commission must determine that the proposed terms and conditions are in the public interest. The focus of the inquiry for determining whether a proposed settlement should be approved by the Commission is whether the proposed terms and conditions foster, promote and serve the public interest. Because the Joint Petitioners request the Commission enter an order in this proceeding approving the Partial Settlement without

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<sup>52</sup> *Hope Natural Gas*, 320 U.S. at 603.

<sup>53</sup> *Pa. Pub. Util. Comm'n v. Peoples TWP, LLC*, Docket No. R-2013-2355886 (Opinion and Order entered Dec. 19, 2013), at 28 (*Peoples TWP*) (citations omitted).

modification, they share the burden of proof to show that the terms and conditions of the Partial Settlement are in the public interest.<sup>[54]</sup>

### C. Overall Increase in the Revenue Requirement

Peoples, I&E and the OCA advocated positions on each of the major components establishing the revenue requirement. OSBA and PII's litigation positions were focused largely on the revenue allocation and rate design. The intervenors each advocated for positions related to their specific interest, but did not offer a specific position regarding all of the components of the revenue requirement. The signatories to the Joint Petition support and or do not oppose the negotiated revenue requirement increase provided for in the Joint Petition.

The Joint Petition provides for a \$93 million increase in revenues for Peoples on a combined division basis, exclusive of the roll-in of existing surcharges. This is compared to Peoples proposed increase in revenues of approximately \$154 million and I&E's proposed increase in revenues of approximately \$90 million, after reflection of the increase in present revenues under the Present Revenue Stipulation.<sup>55</sup>

Peoples and I&E explain in their respective statements in support of the Joint Petition that the negotiated revenue increase is a reasonable compromise and within the range of likely outcomes of a fully litigated case. I&E agrees and asserts that the final negotiated settled upon increase of \$93,000,000 is within a reasonable range as compared to I&E's final litigation position, which advocated for an annual increase of \$89,866,000.<sup>56</sup>

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<sup>54</sup> *Pa. Pub. Util. Comm'n v. PECO Energy Co.*, Docket No. R-2018-3000164 at 15 (Opinion and Order entered Dec. 20, 2018).

<sup>55</sup> Peoples St. 6-RJ at 2-3.

<sup>56</sup> I&E summarized its litigation position in its Statement In Support at pp. 9-12; *see also* I&E St. 1-SR.

Although OSBA did not offer a fully litigated position on the revenue requirement, OSBA observes that the agreement closely follows many of the litigation positions taken by I&E and OCA, therefore the settlement revenue requirement is reasonable.

D. Specific Expense, DSIC and Tax Terms

1. Consolidated Tax Expense (¶ 44)

Act 40 eliminated the consolidated tax adjustment (CTA), which formerly used income tax deductions of affiliates of utilities to reduce income taxes charged to utility customers.<sup>57</sup> Section 1301.1(b) requires the utility to account for the use of the funds received from the termination of the CTA, with 50% going to support plant additions/infrastructure and the second 50% to be used for general corporate purposes.

The Commission has found that utilities may use these funds for any general corporate purpose and that they should not be deducted from rate base. Peoples has explained that this amount is used to fund a small portion of its much larger operating expense of over \$200 million.<sup>58</sup>

The Joint Petitioners represent that the level of revenue requirement included in this settlement reflects the resolution of the parties' positions in the dispute regarding the application of 66 Pa.C.S. § 1301.1 (just and reasonable rates) in this case.

OCA witness Mugrace contends the \$27,500 should be deducted from rate base through a reduction to working capital, because utilities' general corporate purpose is to serve customers.<sup>59</sup>

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<sup>57</sup> Act 40 is codified at 66 Pa.C.S. § 1301.1.

<sup>58</sup> Peoples St. 6-RJ at 2-3.

<sup>59</sup> OCA St. 2 at 62-65.

OCA objects to Paragraph 44 of the Joint Petition because it does not specify how the consolidated tax expense adjustment will be dedicated to general corporate purposes.

Peoples explained that this amount is used to fund a small portion of its much larger operating expense of over \$200 million.<sup>60</sup> Peoples further notes that the Commission recently accepted a utility explanation that the tax deduction is properly dedicated to general corporate purposes when it is a small portion of a larger amount of operating expense. The Commission rejected OCA's proposal to deduct the funds from rate base. OCA appealed the Commission's decision on this issue but the Commission's decision was affirmed by the Commonwealth Court.<sup>61</sup>

Given the similarity of the Company's explanation to that provided in *McClosky* to its litigation position and the Joint Petitioners' assertion that the negotiated revenue requirement adequately addresses the requirements of Act 40, OCA has provided no basis to reject this settlement term.

## 2. DSIC (§ 45)

OCA objects to Paragraph 45 of the Joint Petition because it "may" permit Peoples to recover DSIC-eligible plant before October 31, 2025. According to OCA, this provision may permit the utility to recover on DSIC-eligible plant prior to the end of the FPFTY because it has surpassed its prospective recovery amount set in its prior rate relief request. OCA contends that, to allow such recovery, the Commission would be disincentivizing the use of accurate projections for the plant the utility intends to place in service when setting rates.

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<sup>60</sup> Peoples St. No. 6-RJ at 2-3.

<sup>61</sup> *McCloskey v. Pa. Pub. Util. Comm'n*, 225 A.3d 192, 210-211 (Pa. Cmwlth. 2020).

The Supplemental Implementation Order does not appear to require that a specific date be reached, and does not support OCA's position.<sup>62</sup> The Supplemental Implementation Order specifically states:

[I]f a utility has surpassed the prospective recovery amount associated with all of the DSIC-eligible plant placed in service and which was previously reflected in the utility's base rates or projected to be in service as a result of using a future test year or FPFTY, it is then eligible to begin to recover again the fixed costs associated with any new repair, replacement or improvement of DSIC-eligible property reflected in that quarterly DSIC update. The Commission directs that the total aggregate costs that are associated with the DSIC-eligible property projected to be in service and used to set the base rates for the utility should be specified in the final order issued in the proceeding to establish the utility's new rates, whether the final order results from a litigated proceeding or "black-box" settlement.<sup>63]</sup>

I find that Paragraph 45 is consistent with the Supplemental Implementation Order and is reasonable.

### 3. Post-Employment Benefits Other Than Pensions (PBOP) (¶¶74-75)

In this proceeding I&E and OCA proposed adjustments to the Company's PBOP expense by recommending different periods of time to calculate the expense amount. In the Joint Petition, the Joint Petitioners agree that Peoples was granted approval in Docket No. R-00943252 to continue to recover FAS 112 (Post-employment benefit costs) on a pay-as-you-go basis. Peoples will continue to recover these costs in rates consistent with that prior Commission order. Further, Peoples' claim PBOPs for the FPFTY of \$1,256,374, for current expense. The Joint Petition revenue increase includes this amount, and this amount will be paid to a dedicated trust account previously established by Peoples for this purpose. Peoples will continue to defer the difference between the annual PBOP expense calculated pursuant to FASB Accounting

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<sup>62</sup> *Implementation of Act 11 of 2012*, Docket No. M-2012-2293611 at 13-14 (Supp. Implementation Order entered Sept. 21, 2016) (Supplemental Implementation Order).

<sup>63</sup> Supplemental Implementation Order at 13-24.

Standards Codification (“ASC”) 715 and the annual PBOP pay-as-you-go expense included in rates of \$1,256,374.

According to Peoples, this settlement provision is in the public interest as it continues the Company’s current practice and is consistent with a prior Commission Order adopting this methodology at Docket No. R-00943252. I&E fully supports the unopposed settled upon terms regarding the post-employment and post-retirement issues as a full and fair compromise that provides Peoples, the Joint Petitioners, ratepayers, and the Commission with regulatory certainty which is in the public interest.

OCA objects to the amount of expense the Company claimed for PBOP and contends that the Joint Petitioners have not met their burden of proof on the overall revenue requirement.

#### 4. Other Tax Issues (¶¶ 48-60)

Peoples explains that upon electing the repairs deduction in 2020, Peoples filed a Petition with the Commission proposing how to address certain related tax issues. Peoples explains that as part of that proceeding, the Company entered into a settlement with parties that, in part, instituted a Tax Repairs Surcharge (TRS) Rider to begin to flow back tax benefits to customers. That settlement also required the Company to file this current rate case by December 31, 2023.<sup>64</sup>

According to Peoples, the Company’s election of the tax repairs deduction has created significant benefits to customers. In addition to returning the catch-up deduction to customers over a 10-year period, customers are receiving a reduction to current state and Federal tax expense in the FPFTY of approximately \$113.5 million.<sup>65</sup>

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<sup>64</sup> Peoples St. 1 at 3.

<sup>65</sup> Joint Petition ¶ 52.

The Joint Petitioners reached agreements on various tax related issues in this Joint Petition as set forth in the Joint Petition. The Joint Petitioners agree that the Company's State Tax Adjustment Surcharge (STAS) rate shall be reset to 0.00% upon the effective date of new rates. And, because the base rate increase under Joint Petition does not include state income tax expense, the Company will not reflect future reductions to the state income tax rate in the STAS during the period that these base rates remain in effect.

Further, within 90 days following the effective date of new rates in this proceeding, Peoples will file a revised Tax Repair Surcharge Rider (TRSR) with the specific adjustments set forth in the Joint Petition. The TRSR will apply to all customers of the combined Company, except for customers with negotiated rates. Additionally, the Joint Petitioners agree that the revenue requirement incorporates a reduction to current state and federal income tax expense based on net repairs deductions in the FPFTY of \$113,548,500.

In this proceeding, the Company explained its proposals to address the tax issue resulting from the repairs deductions and for the Tax Cuts and Jobs Act (TCJA) effects.<sup>66</sup> Additionally, the prospective impact of the TCJA is reflected in the Joint Petition rates in this proceeding. Upon the effective date of rates in this proceeding, the TCJA Rider will continue to only apply to the former PGD customers and the rate will be changed to only reflect the over/under collection refund/recovery. And finally, Peoples will continue amortizing the total excess ADIT using the Average Rate Assumption Method (ARAM) upon the effective date of new rates. The remaining unamortized excess ADIT balance will continue as a reduction to rate base in all future proceedings until the full amount is returned to ratepayers.

The Joint Petitioners reached agreements on various tax related issues as set forth in the Joint Petition. OCA did not raise an objection to these settlement terms.

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<sup>66</sup> See Peoples Main Brief (M.B.) at 41-42.

#### E. OCA's Litigation Position on the Revenue Requirement

According to OCA, Peoples' need for rate relief can be met with an annual revenue requirement increase of no more than approximately \$13 million. OCA argues that Peoples' general rate increase request of \$156 million in annual revenues is unnecessary and excessive. According to OCA, Peoples' rate increase request is driven by: (1) Peoples' unreasonable and excessive return on equity claim of 11.75%, which includes an unsupported 25 basis point adder for management performance, in addition to unnecessary size and leverage adjustments, and its claim for an equity-rich capital structure; (2) the unreasonable and unsupported inflationary factors upon which Peoples' rate base claims and expense claims rely; and (3) Peoples' request for authorization of a weather normalization adjustment (WNA) that will not benefit consumers or be consistent with the efficient consumption of utility service and that need not be granted for the Company to be able to provide adequate, safe, and reliable natural gas distribution service.

OCA explains that according to its analysis of the rate filing, the Company's rate base and operation and maintenance (O&M) expense claims are unreasonable based on the Company's asserted but unsupported inflationary factors. OCA argues that the Company has not demonstrated that it knows or can measure how much costs will increase by the end of the FPFTY. The purported "inflationary factors" are tainted by historical high levels of cost increases within recent years, without evidence from the Company that such high levels of increases are likely to continue through the end of the FPFTY. As a result, OCA contends that Peoples' unsupported inflationary adjustments to its rate base and O&M expense claims should be denied.

Further, in OCA's view, many of Peoples' claimed expenses have no nexus to providing natural gas distribution utility service, and benefit only Peoples and/or its employees, and should be disallowed because they provide no ratepayer benefits. Such expenses included funding for Peoples' sports sponsorships, incentive plans for employees to meet the Company's corporate objectives outside of providing natural gas service, anniversary awards and employee events, lobbying expenses, and unreasonable and unsupported inflationary adjustments. OCA

contends that costs such as these should not be passed on to ratepayers because they do not improve safety, reliability, or quality of service, or customer service or are otherwise necessary to the provision of natural gas distribution service. According to OCA, its adjustments remove or minimize unnecessary and unreasonable ratepayer expenses while ensuring that the Company has sufficient funds for all known and measurable costs.

OCA also challenges the Company's rate of return analysis. Peoples' cost of equity request includes, what OCA characterizes as, flawed and unnecessary upward adjustments – a leverage adjustment, size adjustment, and management adder – which drive up the resultant cost of equity calculation. OCA argues the Company's rate of return expert also injected unnecessary subjectivity into his calculations that swell his ultimate recommendation. Peoples also proposed using a capital structure of 54.67% common equity and 43.33% debt that is more equity rich than the average of the proxy groups and Peoples' parent company.

OCA's counters that it recommended a market-based return on equity of 8.02%, which is based on a fully substantiated cost of capital analysis, and a hypothetical capital structure of 50% common equity and 50% debt for ratemaking purposes. Adoption of OCA's recommendation on ROR alone would save consumers \$136.19 million per year in rates. According to OCA, OCA's recommended ROE better fits the balance that is required between consumer and public interest and investor and utility need. OCA's recommended return on equity will allow the Company's shareholders a reasonable opportunity to earn a market-based return on their investment and provide for the financial integrity of the Company while considering the interests of its customers.<sup>67</sup>

#### F. Recommendation Regarding the Revenue Requirement

The \$93 million revenue increase agreed to by the Joint Petitioners is reasonable and the Joint Petitioners have sustained their burden of proving that the compromise is in the public interest and should be approved. The specific expense adjustments which were explicitly

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<sup>67</sup> For a more detailed discussion of OCA's litigation position and Peoples' response, see the Main and Reply Briefs filed by both parties.

agreed to in the Joint Petition are reasonable compromises when viewing the resulting revenue requirement.

OCA objects to the revenue requirement set forth in the Joint Petition. In OCA's view, the record does not support a revenue increase of \$93 million because only a \$13 million increase is reasonable. A black box settlement, by its nature, does not provide transparency or impose the kind of discipline on Peoples that is necessary to ensure that they engage in prudent management, as would be expected of a company that does not have captive customers. By way of example, OCA recommended the disallowances of more than \$17 million in expenses claimed by Peoples which should not be passed on to ratepayers.<sup>68</sup>

The revenue requirement set forth in the Joint Petition is well within the range of recommendations of Peoples, I&E and OCA.<sup>69</sup> Each party's position was supported by expert testimony. Each party presented arguments upon which reasonable minds could disagree. In litigation, some adjustments would have been accepted, but others would have been rejected based upon an interpretation of law or policy. No party's position was acceptable in its entirety.

The evidence of OCA in support of a \$13 million revenue increase is not sufficient to rebut the \$93 million revenue increase advocated by the Joint Petitioners. OCA has not demonstrated that the lack of transparency necessitated by a black box agreement will not permit the Commission to ensure that Peoples will engage in prudent management of ratepayer funded resources.

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<sup>68</sup> OCA M.B. at 32; OCA Exh. DM-SR-10.

<sup>69</sup> Peoples, I&E and OCA's litigation positions on the major elements of the revenue requirement is set forth in Appendix A of the Recommended Decision.

IX. DISCUSSION OF THE REMAINING ELEMENTS OF THE NON-UNANIMOUS SETTLEMENT

A. Revenue Allocation and Rate Design (¶¶ 61-65)

The purpose of a cost of service study (COSS) performed for the Company is to allocate the total utility cost of service to the several customer classifications. Although class cost of service studies may appear to have great precision, the Commission has repeatedly recognized that the COSS is only a guide to designing rates and is only one factor, albeit an important one, to be considered in the rate setting process.<sup>70</sup>

The class cost of service is the “polestar” of utility ratemaking.<sup>71</sup> However, the allocation of revenue among a utility’s various rate classes, while informed by science and engineering, also involves consideration of ratemaking policy and principles of gradualism. There is no single “correct” cost allocation methodology. The application of science and policy to the allocation of a revenue increase is within the Commission’s discretion: “[T]here is no set formula for determining proper ratios among the rates of different customer classes. What is reasonable under the circumstances, the proper difference among rate classes, is an administrative question for the Commission to decide.”<sup>72</sup>

The Commission recently explained the interplay among ratemaking methodologies and the consideration of other factors to set just and reasonable rates:

These norms, or traditional ratemaking methodologies, are used to determine a utility’s cost of providing service, or its revenue requirement, and to determine appropriate rate structure, which includes, among other things, the appropriate allocation of the revenue requirement to various customer classes. However,

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<sup>70</sup> See, e.g., *Pa. Pub. Util. Comm’n v. West Penn Power Co.*, Docket No. R-901609 (Opinion and Order entered Dec. 14, 1990); *Pa. Pub. Util. Comm’n v. Pa. Power & Light Co.*, Docket No. R-822169 (Opinion and Order entered Aug. 19, 1983) (*Pa. Power & Light*).

<sup>71</sup> See *Lloyd v. Pa. Pub. Util. Comm’n*, 904 A.2d 1010, 1020 (Pa. Cmwlth. 2006) (*Lloyd*).

<sup>72</sup> *Peoples Nat. Gas Co. v. Pa. Pub. Util. Comm’n*, 409 A.2d 446, 456 (Pa. Cmwlth. 1979) (citations omitted).

while these ratemaking norms provide a rational and methodical way to analyze and determine the utility's cost of service, they also permit the consideration and weighing of important factors or principles in setting just and reasonable rates, such as quality of service, gradualism, and rate affordability.

We acknowledge that there are several factors that must be considered when designing a rate recovery proposal, one of which is the concept of gradualism and affordability . . . However, while affordability is permitted to be considered, it is but one of many factors to be considered and weighed by the Commission in determining a utility's rates. The rate increase reflects the business challenges the Company currently faces, including required investments in the repair/replacement or improvement of its distribution systems, including acquired troubled water utilities' distribution system; and the high costs associated with maintaining a distribution system necessary to provide safe and reliable water and wastewater service within the Commonwealth.<sup>[73]</sup>

In this proceeding, Peoples presented two costs of service studies, a Peak and Average COSS and a Minimum System/Design Day COSS; I&E and OCA support a Peak and Average COSS that does not allocate any cost of mains on a customer basis; OSBA supports a modified Customer/Demand COSS with a zero intercept method to determine the customer component of mains and PII supports the Company's proposed Minimum System/Design Day COSS. These studies are designed to identify class costs to assist in developing revenue requirement allocations to the customer classes.

Many of the costs in these different COSS were allocated in the same way by the parties. The primary difference is if, and/or how, the parties allocated the distribution mains costs and whether a portion of those costs should be allocated on a per customer basis. The Company, OSBA, and PII all believe that it is necessary to allocate a portion of distribution mains costs on a per customer basis. OCA and I&E did not agree with this position.

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<sup>73</sup> *Pa. Pub. Util. Comm'n v. Cmty. Utils. Inc.*, Docket No. R-2021-3025206, at p. 65-66 (Opinion and Order entered Jan. 13, 2022) (citations omitted).

In the Joint Petition, the Joint Petitioners agreed to a revenue allocation which represents an average of the OCA/I&E surrebuttal positions, the OSBA surrebuttal position and the Peoples' surrebuttal position with the following adjustments:

- Shifting approximately \$1.4 million from SGS to MGS to mitigate system average increases for the SGS customers; and
- Reducing the LGS class allocation by the revenue change in the Present Revenue Stipulation to account for the revised LGS revenues.

The revenue allocation and rate design that the Joint Petitioners agreed to is set forth in Appendices C and D of the Joint Petition for Settlement. Appendix D includes Annual Bill Impacts under present and proposed rates.

Peoples strongly believes that in order to reflect cost causation, a COSS must include a customer component of distribution mains and that the remaining costs should be allocated based on peak demand. However, Peoples supports the revenue allocation in the Joint Petition in the spirit of compromise. Peoples states that the rate design is a compromise of parties' positions and to ensure appropriate rate transitions.

I&E supports the Joint Petition's revenue allocation and rate design in the spirit of compromise. I&E submitted extensive testimony regarding rate design, including the cost of service, customer cost analysis, customer charges and revenue allocation. I&E recommended that only the Peak and Average customer cost analysis should be considered when determining the residential customer charge. I&E added that the Company's rates should be set based on the cost of service study the Commission determines is the most reasonable method of allocation in the present base rate proceeding. Ultimately, I&E recommended a reduction of the proposed residential customer charge from \$21.50 to \$20.00 at the full requested increase; and, that the customer charges be scaled back if the ultimate increase is less than the full requested increase. Finally, I&E recommended that all customer charges and usage rates for each rate class that receives an increase should be scaled back.

I&E considers the settled upon rate design and residential customer charges as very favorable when compared to the rate design and customer charges originally proposed by the Company. Although I&E continues to believe that the Peak and Average method is the most consistent with Commission precedent, I&E supports the revenue allocation and compromise of the rate design dispute. The rate design includes a residential customer charge of \$16.80 per month, which reflects the rounded result of the mid-point between \$19.05 (the Company's position of \$21.50 per month scaled back for the reduced rate increase) and OCA's position of \$14.50. The methodology for determining the rate design was based upon scaling back the as-filed Company rate increases for the reduction in the requested rate increase as compared to the settlement. Rates were then adjusted to ensure appropriate transitions in usage between the classes and other such adjustments. Therefore, I&E fully supports the settled upon revenue allocation and rate design as a full and fair compromise that provides Peoples, the Joint Petitioners, ratepayers, and the Commission with regulatory certainty which is in the public interest.

OSBA also supports the revenue allocation and rate design in the Joint Petition. From OSBA's perspective, the "Achilles heel" of the Peak and Average methodology is that it does not include a customer component and thus fails to recognize the economies of scale associated with extending the distribution system to attach customers of varying sizes.

OSBA's witness Robert D. Knecht discussed at length the various parameters and methodologies present in the Company's COSS, including the issue of the allocation of gas mains costs.<sup>74</sup> Mr. Knecht made a series of modifications to that COSS and provided his own results.<sup>75</sup>

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<sup>74</sup> See OSBA St. 1 Revised, at 18-32.

<sup>75</sup> OSBA St. 1 1 Revised at 34.

Finally, conceptually similar to Mr. Knecht’s modifications, the PII also relied on a COSS methodology in which mains are classified into customer and peak demand components (the “CD” methodology).<sup>76</sup>

In litigation, OSBA also raised an issue that rate harmonization raises issues of the magnitude of the rate impacts, as well as the timing of the harmonization of rates. In addition, Mr. Knecht observed that rate harmonization cannot trump the requirements of gradualism.<sup>77</sup> OSBA takes the position that the Joint Petition addresses this concern because the agreement proposes a rate impact for the small business class SGS of 1.59 times the system average increase. OSBA recognizes that this is a significant increase for that class. Nevertheless, for the purposes of this proceeding, OSBA supports the Joint Petition on this issue as a just and reasonable result.

Finally, OSBA states that the base rate tariff for small business class SGS consists of a monthly customer charge, differentiated for customers above and below 500 mcf per year, and a volumetric charge is acceptable to OSBA. The rate design in the Joint Petition is a just and reasonable result for the Company’s small business customers.

The Joint Petitioners submit that the average of the results of Peoples COSS, the OSBA/PII COSS; and the I&E/OCA COSS, is a just and reasonable result for this proceeding. Cost of service study methodology is a highly contentious and complex issue. The question of whether to include a customer component can, by itself, create extensive litigation. In this proceeding, the revenue allocation proposed by the Joint Petition is a just and reasonable result in light of the positions of the various parties.

PII, while supporting the Joint Petition in its entirety, specifically endorses the revenue allocation compromise. According to PII, the Joint Petition resolves the concerns raised by PII in litigation. Among other things, PII asserts the Joint Petition resolves the highly

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<sup>76</sup> OSBA St. 1-R at 4.

<sup>77</sup> OSBA St. 1 Revised at 46.

contested COSS and revenue allocation proposals from various parties by developing a revenue allocation representing an average of the OCA/I&E surrebuttal position, the OSBA surrebuttal position and Peoples' surrebuttal position. In testimony, PII recommended that the Commission adopt the Company's proposal to allocate revenue across the customer classes based on the midpoint between its Demand/Customer and Peak and Average COSS results.<sup>78</sup>

While the Commission has in the past adopted revenue allocations based solely on a Peak and Average COSS for natural gas distribution systems, PII observes that the record in this proceeding reflects academic literature and expert witness testimony supporting application of various COSS models.<sup>79</sup> In conjunction with the present revenue correction, the Company's carefully crafted resolution of the contested COSS and revenue allocation proposals provided an opportunity for the majority of parties in this proceeding to find common ground. Accordingly, Commission approval of the Non-Unanimous Settlement revenue allocation based on the average results of the COSSs presented by multiple parties is a reasonable resolution of these contested issues for this proceeding.

PII further supports the Joint Petition because the Present Revenue Stipulation corrected the Company's rate for LGS present revenues. PII's testimony raised concerns regarding the efforts of various parties to assign a higher portion of the system revenue requirement to Rate LGS customers in order to mitigate the rate impacts for the Rate SGS and MGS customer classes.<sup>80</sup> For purposes of settlement, reflecting the correction of Peoples' present revenue reduces the requisite rate increase for Rate LGS without imposing further rate increases on Rate SGS or MGS customers.

OCA objects to the revenue allocation in the Joint Petition because it incorporates a customer component into the allocation of mains. According to OCA, the proposed revenue

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<sup>78</sup> PII St. 1 at 17.

<sup>79</sup> *See* PII St. 1-R at 17.

<sup>80</sup> *See* PII St. 1-R at 10-11; *see also* PII St. 1-S at 6-8.

allocation was achieved through a “Frankenstein-like”<sup>81</sup> mix of several different cost of service study methodologies, despite the fact that one of the Joint Petitioners – I&E – utilized the Commission’s preferred methodology of the peak and average method.<sup>82</sup> According to OCA, the proposed revenue allocation is premised on the incorporation of a customer component into the allocation of the cost of mains and should be rejected in favor of OCA’s Peak and Average-only approach.

OCA argues that the use of any COSS other than Peak and Average is inappropriate as a matter of law. OCA cites to Commission precedent that has rejected the notion that any customer component should be included in allocating the cost of mains.<sup>83</sup> According to OCA, Peoples' COSS is overly subjective because it incorporates a per-customer component for allocation of costs of distribution mains.<sup>84</sup> In turn, OCA asserts that its Peak and Average method removes such subjectivity from the cost allocation process.

However, any COSS includes a certain level of subjectivity because, as with any analysis, there are assumptions and decisions made regarding the interpretation of data and how that data is characterized and used in the analysis. Even OCA’s witness recognized this reality. OCA Witness Johnson testified on the process of allocating joint and common costs for gas utilities and determined that “[n]o single objective economic basis supports the allocation of these costs; therefore, the allocation decisions are subjective or based on ratemaking conventions.”<sup>85</sup> OCA Witness Johnson further explains how the cost allocation method applied for distribution mains will necessarily dictate the allocation of other indirect O&M and

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<sup>81</sup> OCA Comments in Opposition at p. 17.

<sup>82</sup> Settlement, App’x C; *see, e.g., Pa. Pub. Util. Comm’n v. Columbia Gas of Pa.*, Docket R-2020-3018835, at 215-18 (Opinion and Order entered Feb. 19, 2021) (citing Commission precedent regarding adoption of the peak and average method while further elaborating on the reasonableness of the peak and average methodology).

<sup>83</sup> *See, e.g., Pa. Pub. Util. Comm’n v. Columbia Gas of Pa.*, Docket R-2020-3018835, at 215-18 (Opinion and Order entered Feb. 19, 2021); *Pa. Pub. Util. Comm’n v. Phila. Gas Works*, Docket No. R-2023-3037933 at 137 (Opinion and Order entered Nov. 9, 2023) (*PGW 2023*); *Pa. Pub. Util. Comm’n v. Nat’l Fuel Gas Dist. Co.*, 83 Pa.P.U.C. 262, 360 (1994).

<sup>84</sup> OCA St. 4-SR at 2.

<sup>85</sup> OCA St. 4 at 6.

administrative expense accounts. Thus, while OCA portrays only other parties' COSS as subjective, its own witness's testimony confirms that OCA's COSS also remains prone to a certain level of subjectivity, as all COSSs represent subjective determinations to allocate joint and common costs.

OCA is not wrong that the method of cost allocation in the Joint Petition can be characterized as “Frankenstein-like.” Although the Commission may prefer the Peak and Average method, a blending of approaches in order to reach a reasonable result is not inappropriate here. The Commission has recognized that a novel approach to cost allocation may create an acceptable result:

We have observed that the inherent distinctions between utilities and rate cases may result in different methodologies to be reasonable for different reasons. In other words, the best-suited ACCOSS may depend on the circumstances of the situation on a case-by-case basis.<sup>[86]</sup>

Indeed, the results of OCA’s proposed allocation, along with I&E’s, both based solely on Peak and Average, was included in the negotiated revenue allocation. The inclusion of OCA and I&E results diluted the emphasis of the allocation of mains advocated by Peoples, OSBA and PII.<sup>87</sup>

OCA also objects to the rate design provided in the Joint Petition, again on the grounds that only OCA’s recommended \$14.50 for residential customers is correct and that the \$16.80 agreed to in the Joint Petition is excessive.

According to OCA, the Joint Petition’s customer charge necessarily includes costs which more appropriately vary with demand, including the cost of mains, than the number of

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<sup>86</sup> *Columbia Gas*, Docket No. R-2022-3031211, at 107, n. 30 (Order entered Dec. 8, 2022) (citation omitted).

<sup>87</sup> *See* Peoples’ Reply Brief (R.B.) at p. 38.

customers.<sup>88</sup> OCA argues that I&E’s residential customer charge recommendation improperly included administrative and general expenses, which is inappropriate, as such costs are not chargeable directly to any particular customer class, but are indirectly incurred by all customer classes, not just residential customers.<sup>89</sup> In essence, the scrutiny that the Commission requires be offered with respect to inclusion of indirect customer costs in customer charges – in this case, all those costs in excess of \$9.00 – is not satisfied under the terms of the Joint Petition.<sup>90</sup>

OCA also contends that the rate design proposed in the Non-Unanimous Settlement violates the Commission’s guiding principles of incentivizing conservation and affordability. Importantly, the purpose of the customer charge is to provide accurate price signals and to guide a customer class towards paying their direct or marginal cost of service over time, reducing rate shock and unaffordability until cost-of-service ratemaking is achieved.<sup>91</sup>

The customer charges and scaleback included in the Joint Petition represent an appropriate compromise of each party’s litigation position and should be approved. The result was generated with input from a variety of stakeholders. Coupled with other terms of the Joint Petition and the Low-Income Stipulation (discussed below), the results are reasonable and in the public interest.

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<sup>88</sup> See *Pa. Pub. Util. Comm’n v. Columbia Gas of Pa.*, Docket R-2020-3018835, at 264 (Opinion and Order entered Feb. 19, 2021) (adopting the Recommend Decision’s rejection of a proposed customer charge increase where the customer charge included the cost of mains under the Company’s proposed, and rejected, COSS).

<sup>89</sup> OCA St. 4-R at 17-18

<sup>90</sup> OCA St. 4 at 34.

<sup>91</sup> See, e.g., *PGW 2023* at 164.

B. Merger of Peoples Natural and Peoples Gas Division Rates and Tariffs (§ 68)

The Company requested that the tariffs of PGD and PNGD be merged and that it be permitted to consolidate the divisions.<sup>92</sup> According to Peoples, this will create efficiencies for the Company and the parties.

The Joint Petitioners have agreed that the Company may combine the tariffs of both the PNGD and PGD. The Joint Petitioners have also agreed that Peoples will no longer be required to maintain separate books and records, and that future reports and filings will be on a consolidated basis. The Joint Petition provides for the merger of rates, except for certain of the larger LGS customers over 100,000 Mcf on PGD. Those customers will have transition rates to mitigate rate impacts.

The Joint Petitioners fully support the unopposed settled upon terms regarding the merger related tariffs as a full and fair compromise that provides Peoples, the Joint Petitioners, ratepayers, and the Commission with regulatory certainty which is in the public interest. PIOGA's concerns related to Rate AGS are addressed in the PIOGA-specific settlement terms discussed below.

OCA did not object to this provision of the Joint Petition.

C. Weather Normalization Adjustment (WNA) (§§ 69-73)

The Joint Petition authorizes Peoples to implement a WNA to adjust distribution bills for colder and warmer temperatures outside a 3% deadband. Peoples states that the WNA provides the Company with more revenue stability and provides customers with less variability in monthly and annual bills. Peoples asserts that the WNA puts Peoples on the same footing as other Pennsylvania investor-owned natural gas distribution companies, including Columbia Gas,

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<sup>92</sup> Peoples M.B., Section (I)(A), p. 2.

UGI Utilities, Inc. and National Fuel Gas Distribution Corporation, and as barometer group companies.<sup>93</sup>

I&E submitted extensive testimony regarding Peoples' proposed WNA, which did not include a "deadband."<sup>94</sup> I&E's overall position is that the Commission has approved WNAs in the past and the majority of the approved WNAs have a 3% "deadband." Prior Commission-approved "deadbands" have all been in the range of 1% to 3%. Therefore, I&E recommended that Peoples' WNA be approved on the condition that a 3% deadband is included. I&E reasoned that its recommendation maintained consistency with Commission precedent regarding existing approved WNAs.

In the Joint Petition, the Joint Petitioners have agreed that the Company's proposed WNA be approved with the following modifications:

1. The Company will present the WNA charge or credit as a separate line item on customer bills.
2. The WNA will include a 3% deadband.
3. The WNA calculation will be performed on a "bills rendered" basis.
4. The Company will file a report annually with the Commission on or before September 1st for the 12-month period ending June of the same year. The filing will contain the following information on the WNA mechanism: a) monthly WNA billed revenue; and b) monthly actual and normal Heating Degree Day data.

According to the Joint Petitioners, the WNA settlement terms are in line with Commission precedent. Therefore, in consideration of the record evidence presented by the

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<sup>93</sup> Peoples St. 13 at 10.

<sup>94</sup> A "deadband" is a range between an upper and lower threshold which acts as a buffer against volatility in which the adjustment is not triggered if Actual Heating Degree Days are within the Normal Heating Degree Days.

parties and the results of the settlement negotiations, I&E supports the settled upon terms as a full and fair compromise that provides Peoples, the Joint Petitioners, Peoples' ratepayers, and the Commission with regulatory certainty and a resolution which is in the public interest.

OSBA also offered testimony regarding the WNA. In its support of the revised WNA in the Joint Petition, the Company has agreed to place a cap on the WNA adjustment for bills rendered in the month of May. Furthermore, in addition to the other reporting requirements, OSBA explains that Peoples will report the number of customers and bill impacts by customer class (total amount of WNA adjustment in comparison to the total distribution amount) in billing periods where that ratio exceeds 1.50. These two changes help to mitigate OSBA's concern that the Company's original WNA proposal could result in extreme adjustments to bills in certain circumstances.<sup>95</sup>

OCA strongly objects to the WNA. In litigation, OCA objected to Peoples' proposed WNA because it is divorced from cost of service considerations, is not easily understood by customers, undermines customer conservation incentives and disproportionately impacts low income customers. Further, OCA contends that the Commission should not be persuaded to authorize a WNA for Peoples simply because other gas distributions companies have been authorized to implement a WNA.

OCA argues that Peoples itself has presented evidence that it does not have the "same customer profile, weather, and more" as other NGDCs in Pennsylvania.<sup>96</sup> Specifically, these statements were made in response to the concerns raised by OCA's witnesses regarding Philadelphia Gas Works' (PGW) collecting \$12 million in revenue in the month of May 2022 from the WNA alone, and the risk that such an event may occur again.<sup>97</sup> While the Joint Petition's WNA proposal is in line with Commission precedent regarding WNAs for other

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<sup>95</sup> OSBA cites to the "PGW WNA debacle." OSBA Statement No. 1-S at 13

<sup>96</sup> Peoples St. 3-R at 13.

<sup>97</sup> Peoples St. 3-R at 13.

NGDCs, OCA argues that Peoples has not proven that a WNA is necessary.<sup>98</sup> OCA argues that the fact that WNAs have been authorized in prior proceedings for other gas utilities is not adequate evidentiary support for the WNA’s implementation in Peoples’ service territory under the terms of the Joint Petition.

Instead, OCA charges that data provided by Peoples indicates that the WNA is a way for the Company to collect additional revenues from customers by shifting the risk of warming weather onto captive customers.<sup>99</sup> Peoples’ historical study of the WNA indicates that 55% of customer bills were increased by the WNA and the Company would have collected \$9.9 million in net revenue through the WNA.<sup>100</sup> Therefore, OCA argues that these bill increases are harmful to customers. OCA submits that it is unjust and unreasonable to shift a “cost of doing business” – as weather-related risk is inherent to the natural gas distribution industry, a fact of which Peoples and its investors are certainly cognizant – on to ratepayers because other Pennsylvania NGDCs have a WNA.

In OCA’s view, the “consumer protections” supported by I&E and OSBA in the Joint Petition are not sufficient to counteract the fundamental nature of the WNA, which shifts risks inherent to natural gas distribution companies to consumers, regardless of the existence of deadbands or other collars. Customers will still experience potentially substantial increases in their bills when the weather is warmer than normal. OCA submits that the best way to protect consumers from the WNA is to not implement the WNA. With or without such protections, the WNA inequitably shifts risks from the Company to consumers and will not result in just and reasonable rates and cannot be in the public interest.

In reply, the Company agrees with OCA that the WNA is an alternative ratemaking mechanism but strongly disagrees that it is not a “just and reasonable” rate. The

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<sup>98</sup> Peoples Statement in Support at 8; I&E Statement in Support at 18; OSBA Statement in Support at 5.

<sup>99</sup> OCA St. 4-SR at 23.

<sup>100</sup> OCA St. 4-SR at 23.

WNA is a limited form of revenue decoupling.<sup>101</sup> It is a rate mechanism that is specifically authorized by the Public Utility Code.<sup>102</sup> Peoples counters that there is no evidence that the Company's cost of service decreases when customers have less usage due to warmer-than-normal weather. Instead, Peoples contends that its cost for providing service are primarily fixed.<sup>103</sup> The WNA will levelize weather-related revenues back to the level that is set in this case. When weather is more than 3% colder than normal, customers will receive a credit on their bills. When weather is more than 3% warmer than normal, they will see a charge to get them closer to normal. OCA's primary argument against the WNA is that customers will be harmed because global weather continues to result in reduced usage.<sup>104</sup> This does not negate the need for the WNA; it further supports the need because without the WNA, the odds are unfairly against the Company being able to recover its weather normalized revenues.

Alternative rate mechanisms that are decoupled from revenue are a relatively recent development in Pennsylvania. While it seems like a WNA does nothing more than shift the risk of warmer weather from a utility to its customers, it is also true that gas utilities have certain fixed costs for providing service that may be impacted by the revenue lost due to lower consumption during warmer winter months. Accordingly, the Commission has approved WNA mechanisms for other gas utilities in the Commonwealth. The arguments made by OCA in opposition to this settlement term are arguments that can be made in opposition to *any* WNA. While Peoples concedes that its customer profile and weather are different from PGW, there is no evidence to conclude that Peoples is significantly unique from other gas utilities in neighboring regions. As the WNA in the Joint Petition is consistent with WNAs that the Commission has approved for other gas utilities, I recommend that the Commission approve the WNA in the Joint Petition.

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<sup>101</sup> Tr. 391-392.

<sup>102</sup> 66 Pa.C.S. § 1330.

<sup>103</sup> Peoples' R.B. at 46.

<sup>104</sup> OCA M.B., at 108.

D. Allegheny Valley Connector (AVC) Charges (¶ 76)

AVC Charges are interstate capacity charges for use of the Allegheny Valley Connector system which consists of transmission and storage facilities that were formerly owned by Peoples.<sup>105</sup> Because AVC costs were incurred before the merger of the divisions, they were charged only to PNGD customers. However, PGD customers are also connected to and can be served by this capacity.<sup>106</sup>

Although these costs are gas costs, the recovery of some of the existing AVC costs from PGD customers reduces capacity charges to PNGD customers. On a total bill basis, this reduces the overall increase to PNGD customers caused by the merger of distribution rates.<sup>107</sup>

The Joint Petition approves the Company's proposal to apply the AVC charges to both PNGD and PGD customers. As noted by Ms. Scanlon, the AVC charges themselves are set in the Company's Purchased Gas Cost (PGC) proceedings.<sup>108</sup> Parties are free to propose different allocation methodologies for recovering these costs from customers in the Company's future PGC proceedings.

I&E elected to not submit any testimony or opposing recommendations regarding the AVC Charge issue. I&E fully supports the unopposed settled upon terms regarding the AVC Charge as a full and fair compromise that provides Peoples, the Joint Petitioners, ratepayers, and the Commission with regulatory certainty which is in the public interest. PIOGA also explicitly supports the Company's position on the AVC Charge.

OCA did not present a litigation position on this issue or object to the Joint Petition terms.

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<sup>105</sup> Peoples St. 3 at 22-23.

<sup>106</sup> Peoples St. 3 at 24.

<sup>107</sup> Peoples St. 3 at 26.

<sup>108</sup> Peoples St. 3 at 25.

E. Credit Card Payments by Customers (§ 77)

The Joint Petition approves Peoples' proposal to pay the costs of customer use of credit cards for PGD to pay utility bills and affirms Peoples' recovery of those costs in the revenue requirement.<sup>109</sup> The Company currently does this for PNGD customers. I&E elected to not take a litigation position on this issue. However, I&E fully supports the unopposed settled upon terms regarding credit card payments as a full and fair compromise that provides Peoples, the Joint Petitioners, ratepayers, and the Commission with regulatory certainty which is in the public interest.

OCA agrees that PGD customers should be afforded the same exemption from the collection of transaction fees as PNGD customers.<sup>110</sup> OCA also agrees that costs related to transaction fees should be recovered in rates. OCA's objection to this settlement term rests on its view that the Company's expense claim for the FPFTY is not sufficiently known and measurable and should be reduced.<sup>111</sup> Since the only objection OCA raises to this settlement term is related to the black box revenue requirement, I recommend the Commission approve this term of the Joint Petition.

F. Competitive Rate Discounts (§§ 87-88)

In the Joint Petition, the Joint Petitioners agree, upon the combination of the PNGD and PGD divisions as contemplated by the settlement, the entire Company will be subject to the requirements of the Equitable Gas Company 2008 base rate settlement provision concerning justifying discounts in future base rate proceedings, which provides as follows:

B.3. Equitable will agree to maintain a highly confidential log of negotiated delivery service agreements available for

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<sup>109</sup> Peoples St. 2 at 10.

<sup>110</sup> OCA M.B. at 145-46.

<sup>111</sup> OCA M.B. at 51; OCA Comments in Opposition at p. 31.

review by the OTS, the OCA and the OSBA. The log will contain the following information related to negotiated agreements:

Customer number, effective date of the agreement, the reason(s) for offering a negotiated delivery agreement, supporting work papers relied upon to substantiate the negotiated agreement, and an analysis which evaluates the contribution to overall fixed costs provided by each customer.

In implementing this provision in circumstances where a bypass of the Company's facilities is the customer's competitive option, the Company will work with the customer in future negotiations to develop an analysis of the likely construction cost of the bypass facilities and apply that estimate in determining, through negotiations, the discounted rate offered to the customer. This information will be included as a part of the confidential materials presented in the Company's initial filing in future base rate proceedings as set forth in the Joint Petition. The Company will also provide a confidential annual report to the Statutory Advocates listing all customers that currently are receiving a discounted rate due to any of the reasons contained herein.<sup>112</sup> According to Peoples, these provisions ensure that the Company is only offering discounts to qualified customers.

I&E submitted extensive testimony regarding competitive rate discounts, a.k.a., discount rate customers. Presently the Company's tariff allows the Company to grant discount rates to certain customers who can show that they have a competitive alternative to the Company's gas supply. After a thorough review, I&E recommended, among other things, for any discount rate customers that have not had their competitive alternatives verified for longer than ten years at the time of the Company's next base rate case, the Company provide a competitive alternative analysis for each of those customers and justify the customers' discount rates as part of its filing in the next base rate case. Further, I&E recommended that the discount rate customers be separated into their own, separate customer class with an appropriate allocation and/or assignment of the costs to serve the discount customers. There was disagreement among I&E and Peoples as to how to resolve these issues.

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<sup>112</sup> Peoples St. 7at. 4.

According to I&E, the discount rate settlement terms represent a compromise by both parties and are in line with Commission precedent. Therefore, in consideration of the record evidence presented by the parties and the results of the settlement negotiations, I&E supports the settled upon terms regarding discount rates as a full and fair compromise that provides Peoples, the Joint Petitioners, Peoples' ratepayers, and the Commission with regulatory certainty and a resolution which is in the public interest.

After reviewing the Joint Petition, OCA continues to voice concern that if Peoples is authorized to offer negotiated, discounted (or "flex") rates to customers claiming electricity as an alternative fuel source, Peoples' captive customers will be placed at-risk of bearing revenue shortfalls.<sup>113</sup>

The Joint Petition would permit the Company to adopt its proposal to offer below-tariff rates to large industrial and commercial customers claiming that electricity is a competitive alternative fuel source to natural gas, instead of limiting such discounted rates to situations where electricity is a competitive alternative and the customer's electricity distribution provider offers that customer discounted rates.<sup>114</sup>

OCA explains Peoples' proposed revisions to Rule 20 would permit electricity to be considered a competitive alternative is made for purposes of negotiating discounted rates for commercial and industrial customers regardless of whether that customer was offered an electric flexed distribution rate in kind. OCA observes that Peoples' existing tariff already extends the option of competitive rates to customers using more than 50,000 MCF per year when the customer can use an alternative fuel source, such as bypassing the Company's service lines to an interstate natural gas pipeline or a different natural gas delivery company.<sup>115</sup> Moreover, under

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<sup>113</sup> See OCA M.B. at 147-151.

<sup>114</sup> Joint Petition Appendix A (Suppl. No. 2 to GAS – Pa. PUC No. 48, First Revised p. 33).

<sup>115</sup> See Peoples Exh. 14, App. A at 29.

Peoples' existing tariff, electricity already qualifies as an alternative source of fuel for qualifying customers if an electric distribution company offers a flex rate to the customer.

Specifically, OCA argues the tariff revisions contained in the Joint Petition regarding competitive discounts shift revenue risk on to customers who are not able to receive competitive discounts.<sup>116</sup> Currently, electric distribution companies (EDCs) offering service within Peoples' service territory can elect whether to offer flex rates to customers currently receiving flex rates from Peoples.<sup>117</sup> Electing to offer a flex rate creates price competition between the EDC and Peoples; therefore, the EDC is properly incentivized to close the door to price competition with Peoples by not offering flex rates.<sup>118</sup> If Peoples is permitted to adopt the Non-Unanimous Settlement's flex rate revisions, then EDCs in Peoples' service territory will be vulnerable to load loss from the new recipients and will be compelled to offer competitive rates which it did not offer previously to avoid price competition. Access to electricity is ubiquitous: it is likely that the number of competitive customers could grow significantly, increasing intra-class revenue shifting to cover the cost difference between tariffed rates and flex rates.<sup>119</sup>

OCA's generalized concerns regarding the treatment of the availability of electricity as a competitive alternative are not sufficiently specific to recommend that the Commission reject this settlement term. By adopting the Equitable base rate terms requiring detailed reporting of Peoples' discount customers and providing these reports to the statutory advocates, there is sufficient protection in place to protect the public at this time and ensure that competitive contracts do not become disruptive or disadvantageous to Peoples' ratepayers.

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<sup>116</sup> OCA St. 4-SR at 30-31.

<sup>117</sup> OCA St. 4-SR at 47.

<sup>118</sup> OCA St. 4-SR at 48.

<sup>119</sup> OCA St. 4-SR at 49.

G. Safety (¶¶ 89-91)

In the Joint Petition, the Joint Petitioners agree that, barring any significant changes in policy, regulations or macroeconomics, the Company agrees to maintain its replacement rate efforts to ensure that it meets its commitments set forth in its Long-Term Infrastructure Improvement Plan (LTIIIP). Further, Peoples agrees to monitor and capture data on leaks for first generation plastic pipes in their risk reduction data collection and include the installation year, if available. Finally, Peoples agrees to further break down its cost per mile into categories expected to result in a more granular analysis of actual costs.

This issue was important to I&E in litigation. I&E submitted extensive testimony with regard to distribution system and pipeline safety issues. I&E witness Jason Harvey discussed the federal Distribution Integrity Management Plan (DIMP) regulations; Peoples' LTIIIP; Peoples' overall risk exposure; pipeline replacement; and leak rates. I&E made several recommendations including recommending Peoples maintain its pipeline replacement rate as proposed in its LTIIIP; monitoring and capturing data on leaks for first generation plastic pipes; and further breaking down its replacement costs per-mile into more granular categories.<sup>120</sup> After amicable settlement discussions, Peoples and I&E have agreed to the safety recommendations as set forth in the Joint Petition.

Therefore, in consideration of the results of the settlement negotiations, I&E fully supports the settled upon distribution system and pipeline safety terms as a full and fair compromise that provides Peoples, the Joint Petitioners, the Commission, and the ratepayers with regulatory certainty and a resolution which is in the public interest.

OCA did not specifically object to or discuss these settlement terms.

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<sup>120</sup> I&E St. 4.

H. PIOGA-Specific Issues (¶¶ 92-97)

In its Statement in Support, PIOGA explained that natural gas produced from local shallow wells is used by Peoples and natural gas suppliers (NGSs) as a base load supply to meet customer’s usage requirements but since 2012, local gas produced and delivered from conventional wells into the Company’s system has declined year-over-year; over the six-year period from 2017 through 2022, the decline in supplies from conventional wells was 9.5 Bcf, or 24%. Reduced supplies from conventional wells result in increased costs to customers because conventional gas is much less costly than gas delivered from Peoples’ interstate pipeline suppliers – “an estimated cost savings of \$0.40 per Mcf for the local gas purchased by Peoples for our on-system customers alone.”<sup>121</sup>

Despite the decline in conventional production deliveries and the current and foreseeable low gas price environment, PIOGA’s witness explained that Peoples should do what it can to increase conventional gas deliveries into its system because, in part, Peoples’ customers benefit from the low prices from local conventional gas production, as do the families and businesses in localities where local producers are employed.<sup>122</sup>

PIOGA opposed Peoples’ proposal to apply the PNGD Rate AGS to the PGD system because that system had never had a gathering fee.<sup>123</sup> Nonetheless, PIOGA stated it was not opposed to sharing with customers the costs of pipelines and facilities producers use to provide low cost natural gas to customers through a lower system-wide blended rate.<sup>124</sup> PIOGA also asserted that the PNGD Rate AGS fee of \$0.26/Mcf, which Peoples “set on a negotiated basis using value of service considerations rather than cost-of-service as a guide,” overstated the value of the service provided under Rate AGS and should therefore be reduced.<sup>125</sup>

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<sup>121</sup> Peoples St. 4 at 16; Peoples Natural Gas Exhibit No. EAP-1.

<sup>122</sup> PIOGA St.1 at 13-14.

<sup>123</sup> PIOGA St. No. 2 (Direct Testimony of D. Marc Jacobs) at 3:4-11

<sup>124</sup> PIOGA St. No.1 at 11.

<sup>125</sup> PIOGA St. 1 at 10.

Additionally, a significant aspect of Peoples' tariff unification proposal was the lack of a systemwide water vapor content moisture standard.<sup>126</sup> PIOGA witness Marc Jacobs explained why the legacy Peoples' moisture curve water vapor content standard would be the appropriate systemwide standard for Peoples' fully integrated system.<sup>127</sup>

The Joint Petition adequately addresses PIOGA's concerns stated above by: (1) reducing the Rate AGS fee from \$0.26/Mcf to \$0.24/Mcf; (2) applying the reduced fee and the PNGD Rate AGS to the PGD system; and (3) using the existing moisture curve in the Peoples Master Interconnect and Measurement Agreement (MIMA) systemwide. As shown above, these Joint Petition provisions are supported by the evidentiary record.

PIOGA also had concerns with some MIMA provisions that PIOGA believed created uncertainty for producers' operations or could have significant adverse effects on producers' operations, and others that could provide cost savings for producers without jeopardizing Peoples' ability to operate its pipeline system safely and reliably.

The Joint Petition accepts some of PIOGA's proposals, but not all. Nonetheless, the proposals accepted are supported by the evidentiary record cited herein. The Joint Petition adequately addresses PIOGA's concerns stated above by: (1) reducing the Rate AGS fee from \$0.26/Mcf to \$0.24/Mcf; (2) applying the reduced fee and the PNGD Rate AGS to the PGD system; and (3) using the existing moisture curve in the Peoples MIMA systemwide. As shown above, these Joint Petition provisions are supported by the evidentiary record.

PIOGA also supports the settlement because PIOGA's right to challenge the application of PNGD Rate AGS to the PGD system for prospective application in a future general rate proceeding filed by Peoples is preserved.

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<sup>126</sup> PIOGA St. 1 at 12-13; PIOGA St. 2 at 3-7; PIOGA St. 1-S at 2-4.

<sup>127</sup> PIOGA St. 2-S at 4.

Peoples takes the position that this agreement is in the public interest because it results in recovery of additional costs of the gathering systems and lowering the amounts of such costs to be recovered from customers. This change also provides equal charges to producers that deliver Appalachian gas to the merged systems.<sup>128</sup>

The Non-Unanimous Joint Petition also standardizes Peoples' limits to water vapor included in Appalachian supplies delivered across the merged System. This settlement provision is in the public interest because it provides uniformity for producers and the Company regarding water vapor standards.

The Joint Petition also includes some language changes to the Company's master agreement with producers that clarify certain provisions. The Company was amenable to these provisions to address producers concerns about potential well shut-ins. The Company always works with producers to avoid well shut-ins whenever possible. These provisions are in the public interest and should be approved.

OCA did not take a position on this issue in litigation and did not lodge an objection to these terms of the settlement. The Commission should approve the PIOGA-specific terms in the Joint Petition as reasonable and in the public interest.

## X. LOW INCOME STIPULATION

### A. Stipulation Terms

Peoples, CAUSE-PA and PWPTF (Low-Income Parties) have agreed to the settlement terms as set forth below. These terms are stated verbatim and for ease of reference retain the same paragraph numbers as they appear in the Low-Income Stipulation.

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<sup>128</sup> Peoples St. 4 at 19-20.

A. Low-Income Customer Issues

1. The Company will modify its definition of and reporting for “confirmed low income customer” data to include self-attestation for all purposes, including but not limited to the annual Universal Service Report, consistent with the Commission’s definition in 52 Pa. Code § 62.2. Peoples will utilize this definition for reporting on 2024 data and will maintain this method of reporting for all future years.

2. The Company commits to maintaining its existing business relationship with Community Based Organizations (“CBOs”), subject to each individual CBO’s continued performance in conformance with the Company’s Universal Service and Energy Conservation Plan (“USECP”) rules and their contract with the Company.

3. Within 30 days of the entry of this Stipulation, Peoples will refund all currently held security deposits collected from confirmed low income customers, utilizing the Commission’s definition of confirmed low income customer in 52 Pa. Code § 62.2.

4. Peoples will initiate a monthly review of security deposits and refund all security deposits being held from accounts designated as confirmed low income to the customer within 30 days.

5. Peoples will report on its monthly results of its low income security deposit refunds at each USAG meeting.

6. Peoples will file a Petition at its current USECP docket within 90 days of a final order in this case seeking authorization to amend its USECP to allow the Company to initiate auto-enrollment of LIHEAP recipients with significant balances into CAP, to permit auto-recertification, and to waive income documentation requirements for CAP applicants that have received LIHEAP in the last two years. The settling parties are not bound to take a certain position regarding Peoples’ Petition.

7. Peoples will work with the USAG to develop a list of non-emergency call scenarios that Peoples can use for agent training to screen for income level and CARES/CAP referrals.

8. Peoples will adopt its proposed 120 Mcf LIURP minimum usage threshold.

9. Peoples will increase its annual LIURP budget to a total of \$3,500,000 per year.

10. Essential shareholders will contribute an additional \$150,000 each year to the Peoples' Hardship Fund until Peoples files its next USECP. This increase will be over and above the funding levels that are currently in place as per the Company's current USECP, and retains the increased contribution established in the Aqua-Peoples Acquisition (Docket Numbers A-2018-3006061 – A-2018-3006063) beyond its original expiration. Nothing will preclude any party from requesting approval of a different budget amount in a subsequent proceeding.

11. The Company will seek guidance from the USAG at its April/July 2024 meetings to gain input into the development of a standalone CAP notice to be included in the cold weather survey packets beginning in September of 2024.

#### B. Tariff Revisions

12. Add the following language to Rule 3.C (Gas-PA PUC No. 48, Original Page 19), "Provide income documents or other information attesting to his or her eligibility for state benefits based on household income eligibility requirements that are consistent with those of the public utility's Customer Assistance Program. This information may include, but is not limited to any information listed in 52 Pa. Code 62.2 for the purposes of identifying 'confirmed low income customers'."

13. Add the following language to Rule 3.D (Gas-PA PUC No. 48, Original Page 20) that mirrors the language of 52 Pa. Code § 56.41(B)(4), "Notwithstanding subsection (D), the Company may not require a cash deposit from a customer who is, based upon household income, confirmed to be eligible for a customer assistance program. A customer is confirmed to be eligible for a customer assistance program by the public utility if the customer provides income documents or other information attesting to his or her eligibility for state benefits based on household income eligibility requirement that are consistent with those of the public utility's Customer Assistance Program. This information may include, but is not limited to any information listed in 52 Pa. Code 62.2 for the purposes of identifying 'confirmed low income customers'."

14. Add the following language to Rule 3.B(2), Gas PA PUC No. 48, Original Page No. 19 not Rule 3.E(2), Gas PA PUC

No. 48, Original Page No. 19 “provided that the methodology does not directly, or have the effect of, discriminating based on a protected class as set forth in the federal Equal Credit Opportunity Act.”

15. The Company will retain Gas-PA PUC No. 48, Original Page 41 Paragraph 7 and will replace: “a. the customer has defaulted on a payment arrangement, and” with “a. the customer has a significant account balance, and”.

C. Implementation, Timing, and Consideration

16. All terms in the stipulation are intended to take effect immediately upon entry of a final order in this proceeding without further conditions precedent, unless a different timeline or procedure is explicitly identified in the term.

17. This stipulation is intended to resolve the universal service program and low income customer service issues raised by the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) and the Pennsylvania Weatherization Providers Task Force (PWPTF) in this proceeding. As consideration for the terms, CAUSE-PA and PWPTF agree to not oppose the Partial Non-unanimous Settlement between Peoples, the Commission’s Bureau of Investigation and Enforcement (I&E), the Office of Small Business Advocate (OSBA), and the Pennsylvania Independent Oil and Gas Association (PIOGA).

18. Should the terms of this stipulation be amended, modified, or otherwise rejected by the Administrative Law Judge or Commission, in whole or in part, CAUSE-PA and PWPTF reserve the right to oppose the partial non-unanimous settlement - including but not limited to the right to file exceptions, a petition for reconsideration, and/or appeal to the Commonwealth Court.

B. Support for the Stipulation

In addition to the low income provisions of the Joint Petition,<sup>129</sup> Peoples notes that the agreement set forth the Low-Income Settlement includes additional low income customer related provisions that were not contested in this proceeding. These provisions reflect

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<sup>129</sup> Joint Petition ¶¶ 83-87.

the combination of the universal service riders for the rate divisions and specify how the reconciliation periods will work. These provisions are in the public interest as they clearly set forth specific procedures for how the universal service rider will operate after the rate divisions are combined. No party raised a specific objection to any of these proposals.

CAUSE-PA highlights<sup>130</sup> the most important provisions of the Low-Income Stipulation to Peoples' low income customers.

1. Tracking and Reporting of Confirmed Low income Customers (¶ 1)

Peoples tracks its low income customer population two ways: “estimated low income customers” and “confirmed low income customers.” CAUSE-PA witness, Harry Geller identified that Peoples maintains an internal definition of confirmed low income customers that is narrower than, and somewhat conflicting with, the Commission’s definition of the same term:

Accounts where the NGDC has obtained information that would reasonably place the customer in a low income designation. This information may include receipt of LIHEAP funds (Low income Home Energy Assistance Program), self-certification by the customer, income source or information obtained in § 56.97(b) (relating to procedures upon rate-payer or occupant contact prior to termination).<sup>[131]</sup>

He expressed concern that, “the operation of Peoples’ internal definition of low income customers adds additional confusion to the ability to accurately measure the number of low income customers in Peoples’ service territory.”<sup>132</sup> As a result, according to this internal definition, Peoples only classified 52,973 customers as low income in 2022, accounting for less than half of the confirmed low income customers reported to the Commission. Mr. Geller explained that this undercounting of low income households detrimentally impacts the ability of customers to access low income consumer protections.

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<sup>130</sup> PWPTF signed the Low-Income Stipulation, but did not file a Statement in Support.

<sup>131</sup> 52 Pa. Code § 62.2.

<sup>132</sup> CAUSE-PA St. 1 at 6.

Peoples' has agreed to modify its definition of and reporting for "confirmed low income" customers. CAUSE-PA represents that this term will help improve the data collection and tracking of Peoples' low income customers, which will, in turn, improve the ability of Peoples, stakeholders, and the Commission to accurately measure the number of low income customers in Peoples' service territory. Peoples agrees and notes that the updated definition of the same is consistent with the Commission's regulations, and is also responsive to concerns that OCA witness Mr. Colton raised throughout testimony. It reflects the position of both CAUSE-PA and OCA on this issue, is reasonable, and should be approved.

## 2. Low-Income Security Deposit Prohibition (§§3-5)

The settlement terms regarding security deposits represent Peoples' commitment to bring company practice into conformance with Commission guidelines and commitments made by Peoples in other settlements.

Section 56.32(e) of the Commission's regulations prohibits utilities from collecting security deposits from customers who are confirmed to be income eligible for its customer assistance programs (CAP). The Commission has issued explicit guidance on this issue and was clear that a low income household does not need to enroll in CAP or another universal service program for the prohibition on security deposits to apply. In its Chapter 56 Rulemaking Order, the Commission clarified that the prohibition on collecting security deposits from low income customers is "referring to eligibility based upon the customer's household income – not on other miscellaneous eligibility criteria that can vary by utility."<sup>133</sup>

In the settlement of its 2018 base rate case,<sup>134</sup> Peoples agreed to review its residential accounts at least every six months and to refund security deposits to confirmed low

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<sup>133</sup> Rulemaking to Amend the Provisions of 52 Pa. Code, Chapter 56 to Comply with the Amended Provisions of 66 Pa. C.S. Ch. 14, L-2015-2508421, Final Rulemaking Order, Attach. One at 48 (Feb. 28, 2019).

<sup>134</sup> *Pa. Publ. Util. Comm'n v. Peoples Nat. Gas Co. LLC*, Docket R-2018-3006818 (Opinion and Order entered Oct. 3, 2019).

income customers, but has not yet fully implemented this agreement.<sup>135</sup> Further, based on Peoples' multiple inconsistent definitions of confirmed low income customer, it is difficult to determine whether Peoples is actually complying with the regulation and its settlement obligations regarding which customers are granted the security deposit exemption. Mr. Geller voiced concern that the Company had not indicated any process for screening for low income security deposits other than enrollment in CAP and receipt of LIHEAP funds.

After negotiation, Peoples has agreed to refund security deposits collected from low income customers who meet the Commission's definition,<sup>136</sup> initiate a monthly review and refund security deposits and report the results of its review at each USAG meeting. CAUSE-PA asserts that these terms are just, reasonable, and in the public interest because they will help ensure that Peoples' low income customers are not inappropriately charged security deposits. Moreover, in the event that a security deposit is collected from a customer who is later identified as a confirmed low income, the proposed monthly screening process will ensure that the inappropriately collected security deposit is returned to the customer. Further, these terms provide oversight to help ensure that Peoples properly implements these changes through periodic review with Peoples USAG. Therefore, CAUSE-PA urges the Commission to approve these terms.

### 3. Customer Assistance Program (CAP)(¶¶ 6-7)

CAP programs are an effective tool to help mitigate rate unaffordability and reduce payment trouble and terminations among low income households. Peoples' CAP enrollment has declined across both rate divisions. Mr. Geller observed the steep decline in CAP enrollments is concerning and that Peoples' current estimated low income count remains substantially higher than pre-pandemic levels. He recommended that Peoples' take immediate steps to increase outreach and enrollment of payment troubled customers into the CAP program.

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<sup>135</sup> CAUSE-PA St. 1 at 17.

<sup>136</sup> See Peoples St. 16-RJ at 5.

According to the terms of the Low-Income Stipulation, Peoples will work with the USAG to develop a list of non-emergency call scenarios that Peoples can use for agent training to screen for income level and CARES/CAP referrals.

This term of the Low-Income Stipulation is an important first step to addressing Peoples declining CAP enrollment. As Mr. Geller explained, “Improving the identification of low income customers, and better matching them to critical rate assistance and usage reduction services at the earliest opportunity is essential to improving Peoples’ ability to provide just and reasonable rates and services to low income households.”<sup>137</sup> Thus, CAUSE-PA respectfully urges the Commission to approve this term of the settlement as it is just, reasonable, and in the public interest because it is critical that Peoples address the disparate rates of payment trouble and terminations among low income customers, which will grow more pronounced if its substantial rate increase proposal is approved.

Further, Peoples has agreed to keep current tariff language that would automatically enroll customers in CAP if the customer has received a LIHEAP grant within the past two years. Peoples has also agreed to file a Petition to amend its USECP to permit auto-enrollment and auto-recertification, and to work with its USAG to develop the details of the program – including customer communications, in line with Mr. Geller’s recommendations.

According to CAUSE-PA these improvements to Peoples’ CAP process are useful and meaningful ways to improve rate affordability for Peoples’ customers.

#### 4. Low-Income Usage Reduction Program (LIURP) (¶¶ 8-9)

CAUSE-PA explains that Peoples’ LIURP is an essential universal service program that provides free weatherization and energy efficiency measures to low income, high usage households, including but not limited to a heating system clean and tune, energy audit, and air sealing and insulation. The program is designed to improve energy efficiency, bill

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<sup>137</sup> CAUSE-PA St. 1 at 28.

affordability, reduce arrearages, and termination rates over the long term, and work in tandem with CAP to help reduce uncontrollably high usage attributable to home energy inefficiencies that low income households cannot afford to address on their own. However, Peoples currently approved LIURP budget is insufficient to address the existing need for LIURP services in its territory, a need that is only set to grow if a rate increase is approved in this proceeding, as the increased cost of gas is likely to lead to increased payment trouble and terminations among low income, high usage households. Further, PNGD and PGD apply different minimum usage thresholds for LIURP.

According to CAUSE-PA, it is vitally important to protect and improve the availability of LIURP to low income, high usage families to help mitigate the disproportionate impact of Peoples' proposed rate increase if it is approved. Bill reduction through comprehensive energy efficiency and conservation measures can improve affordability and help to ensure that low income customers are able to remain connected to service at more affordable rates. Peoples' LIURP has achieved high energy savings, averaging about 20% of the customers' pre-treatment natural gas usage. Throughout Pennsylvania, gas heating customers who receive LIURP services achieve 14.5% energy reduction with average annual bill savings of \$220 per year.

Peoples explains that coming into this proceeding, Peoples' LIURP budget was \$3,030,000. In response, CAUSE-PA Witness Mr. Geller recommended that the Company increase its LIURP budget to "address current and anticipated need for comprehensive usage reduction service. First, Peoples should increase their annual LIURP Budget equal to the actual 2023 spend for each division (*e.g.*, \$3,459,513 for [PNGD] and \$301,075 for [PGD]), in addition to the rollover from the prior year). In addition, to the extent the Commission approves any increase in residential rates, People should further increase its annual LIURP budget for each division by a percentage equal to the approved residential rate increase."<sup>138</sup> Similarly, PWPTF

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<sup>138</sup> CAUSE-PA St. 1 at 33.

witness Jennifer Warabak recommended that the Company increase its annual LIURP funding by \$400,000.<sup>139</sup>

In Rebuttal Testimony, Peoples witness Ms. Black disagreed with both Mr. Geller and Ms. Warabak, explaining that “to increase budgets at this time, without having fully spent program budgets for the past few years, is inconsiderate of the cost to residential ratepayers who fund [LIURP].”<sup>140</sup>

Under the stipulation, the Stipulating Parties agree that Peoples shall increase its LIURP budget to \$3,500,000 annually. This agreed-upon increase reflects a compromise between the Stipulating Parties respective stances on this issue and, ultimately, results in a LIURP budget increase of \$470,000 to better assist Peoples’ customers participating in the LIURP program. As such, Peoples submits that this Stipulation provision is reasonable and should be approved in this proceeding.

CAUSE-PA also notes that improvements in Peoples’ LIURP program could help mitigate the impact of its proposed rate increase on low income high-use households by reducing usage in households that cannot otherwise afford to adopt efficiency measures.

In the Low-Income Stipulation, Peoples has agreed to increase its annual LIURP budget and to adopt the lower minimum usage threshold of 120 Mcf. CAUSE-PA asserts that these commitments should be approved because they will help to ensure a greater number of households are eligible to participate in LIURP to remediate usage that is disproportionately higher than similarly situated households.

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<sup>139</sup> PWPTF St. 1 at 8.

<sup>140</sup> Peoples St. 9-R at 18.

## 5. Hardship Fund (§10)

As part of its suite of Universal Service Programs, Peoples' Hardship Fund provides grants of up to \$500 and is available for customers with income at or below 200% Federal Poverty Level (FPL). Mr. Geller's direct testimony explained that the program is underfunded to meet the need for hardship funding and that the size of the grants is not sufficient to alleviate the hardships of many low income customers. In the Low-Income Stipulation, Essential Utilities' shareholders agree, among other things, to contribute an additional \$150,000 per year to the Hardship Fund. CAUSE-PA asserts these additional emergency funds are necessary to prevent terminations in light of increasing rates and will help the program budget better keep pace with the cost of residential service. Thus, this term is just, reasonable and in the public interest and should be approved.

According to Peoples, this additional contribution reflects a carefully crafted compromise between Peoples, PWPTF, and CAUSE-PA's respective litigation positions in this proceeding. As such, Peoples respectfully submits that this Stipulation provision is reasonable and should be approved.

## 6. Other Provisions

The Low-Income Stipulation also includes commitments by Peoples to file for modification of its current Universal Service and Energy Conservation Plan<sup>141</sup> to permit USECP to allow the Company to initiate auto-enrollment of Low-Income Home Energy Assistance Program (LIHEAP) recipients with significant balances into CAP, to permit auto-recertification, and to waive income documentation requirements for CAP applicants that have received LIHEAP in the last two years. The Company commits to maintaining its existing business relationship with Community Based Organizations (CBO) subject to each individual CBO's continued performance in conformance with the Company's USECP rules and their contract with

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<sup>141</sup> Docket Nos. M-2018-3003177 and M-2020-3021343.

the Company. Peoples has also agreed to make other modifications to encourage further CAP enrollments, and adjustments to LIURP.

### C. Recommendation

Although OCA argues that Peoples must make adjustments to its treatment of low income customers, OCA did not have a specific objection to the Low-Income Stipulation.<sup>142</sup> No other party had any comment or objection to the terms of the Low-Income Stipulation.

I believe these stipulated terms are in the public interest and will assist in offsetting the impact of the increase in rates on Peoples' low income customers. Therefore, the Low-Income Stipulation should be approved without modification.

## XI. OTHER ISSUES RAISED BY OCA

OCA recommended a series of improvements to Peoples' operations and customer service.

### A. Non-Basic Services

Peoples currently bills for "Peoples Protection Program" charges, which are programs offered by third-parties to insure the customer's water and sewer service, gas service line, heating and cooling appliances, and in-house and exterior electric lines.<sup>143</sup> Peoples advertises such programs through bill inserts that display the Peoples logo; however, Peoples divorces itself from any responsibility relating to the terms and conditions, prices, and service quality of these providers. On customer bills, protection program charges are correctly billed as

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<sup>142</sup> OCA also did not discuss the degree to which the Low-Income Stipulation may have addressed some of its recommendations regarding low income ratepayers. OCA's position on low income customer issues is considered below.

<sup>143</sup> OCA St. 5 at 28.

“non-basic” charges.<sup>144</sup> OCA argues that Peoples’ branding on marketing materials sign up process for customers are not “consumer-friendly.” Therefore, OCA recommends that the Commission direct Peoples to stop including non-basic services in negotiated payment arrangements and investigate Peoples protection program to ensure that no ratepayer revenues are subsidizing activities of unregulated third parties.<sup>145</sup>

Peoples counters that OCA offered no evidence that the inclusion of non-basic charges in negotiated payment arrangements violates any Commission rule or regulation, including evidence that Peoples terminates customers for non-payment of non-basic charges. Peoples points to the Company’s most recent management audit, where there were no findings related to non-basic charges.<sup>146</sup> According to Peoples, OCA offered no persuasive evidence of inadequate or unreasonable service issues with respect to Peoples’ non-basic billing or marketing practices.

I agree with Peoples that there is no evidence to support a finding that its program for non-basic billing or marketing practices is unreasonable service. Regarding the negotiated payment arrangement issue, OCA concedes that there is no evidence which indicates that Peoples terminates customers for non-payment of these non-basic charges.<sup>147</sup> Further OCA offered no examples of any customers who were confused by Peoples’ marketing or billing practices.

## B. OCA’s Operational Recommendations

### 1. Expanded Call Center Hours

OCA recommends that the Company conduct an evaluation of the potential to expand its call center hours. Peoples operates its call center from 7:00 am to 5:00 pm, Monday

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<sup>144</sup> OCA St. 5 at 28.

<sup>145</sup> OCA M.B. at 139-40.

<sup>146</sup> Peoples St. 2-R at 58.

<sup>147</sup> Peoples St. 2-R at 58.

through Friday.<sup>148</sup> Based on the testimony of one witness during the public input hearings, OCA alleges that limiting access to call center assistance to traditional business hours prevents many customers who are working during that time from being able to contact the Company if they need assistance.

Peoples argues that OCA’s recommendation is unnecessary. As the Company noted in its surrebuttal testimony, the Company has had many points of contact with the customer cited by OCA over the past several months.<sup>149</sup> The customer was able to obtain assistance from the Company to address his concerns. Therefore, there is no evidence that the Company is failing to meet its obligations to provide adequate service.<sup>150</sup>

I agree with Peoples. The experience of one customer is not sufficient to impose the added expense of expanding call center hours upon the Company and its ratepayers.

## 2. Root Cause Analysis

According to OCA, Peoples does not adequately investigate its non-compliance with Commission regulations when handling consumer complaints. The Commission’s Bureau of Consumer Services (BCS) reported the Company’s number of verified infractions or confirmed “misapplication[s] or infringement[s] of a Commission regulation,” such as those in Chapter 56 increased from 13 to 33 from 2022 to 2023.<sup>151</sup> According to OCA, this is a significant increase. OCA witness Alexander testified that Peoples does not indicate whether or how its management investigated the increase in infractions or sought to respond to the increase by conducting a complaint analysis, or root cause analysis.<sup>152</sup> OCA submits that Peoples’ lack of urgency to design and implement processes that decrease non-compliance, which now has

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<sup>148</sup> OCA St. 5 at 34.

<sup>149</sup> Peoples M.B. at 94.

<sup>150</sup> Peoples St. 5-R at 6.

<sup>151</sup> OCA St. 6 at 15.

<sup>152</sup> OCA St. 6 at 16.

instead led to an increase in the number of those instances, is completely antithetical to the type of customer service that warrants the recognition of a management performance premium.

Peoples counters that Company witness Rita Black provided several concrete examples of the Company's root cause analysis process with respect to its disputes and complaints.<sup>153</sup> Specifically, the Company noted that it evaluates every dispute/complaint, documents how it was handled, and tracks various metrics to identify trends to prevent recurrence and promote training opportunities.<sup>154</sup> Moreover, the Company's justified complaint rate is below the average of its utility peers in Pennsylvania which show that its processes and procedures are working.<sup>155</sup> Peoples has shown that it has embedded root cause analyses into its daily handling of customer complaints.<sup>156</sup> According to Ms. Black, the Company is already performing this analysis and doing so at not just every five infractions, but with every single complaint that comes in.

I find the testimony of Ms. Black persuasive. She disagrees with Ms. Alexander's characterization of the BCS investigation statistics and argues that the results paint a different picture when considered in context with other factors. Specifically, when compared with other gas distribution companies, Peoples' out-performs peer companies in satisfying customer complaints.<sup>157</sup> She further explained the Company evaluates every dispute/complaint, documents how it was handled, and tracks various metrics to identify trends to prevent recurrence and promote training opportunities.<sup>158</sup> Because data is collected cumulatively, team members can identify "trends in employee errors, leading to increased training for agents and

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<sup>153</sup> Peoples St. 9-R at 24-26.

<sup>154</sup> Peoples St. 9-R at 25.

<sup>155</sup> Peoples St. 9-R at 23.

<sup>156</sup> Peoples St. 9-R at 26.

<sup>157</sup> Peoples St. 9-R at 22-23.

<sup>158</sup> Peoples St. 9-R at 25026.

important notices sent to all Customer organization team members to highlight an issue that has arisen.”<sup>159</sup>

Ms. Black also explained that most of the BCS citations in 2023 were related to restoration terms quoted to customers following termination of service:

In all cases, coaching was provided to the individual employees who made these errors and enhancements to the system and training opportunities were also identified to improve performance in this area. Peoples’ commitment to improving compliance does not end with the review of the citation. Because denial letters and restoration terms were an area of needed improvement, training held in March of this year, to prepare customer service representatives for the end of winter moratorium, reinforced these items.<sup>[160]</sup>

I conclude that Peoples adequately explained how it addresses trends in customer complaints and employee responses to those complaints. It is not necessary to impose a requirement that Peoples’ conduct a further root cause analysis as a condition to granting a revenue increase in this proceeding.

### 3. Training of Field Personnel in Termination Procedure

According to OCA, Peoples does not adequately train its field personnel who are responsible for personal contact prior to termination. Under Chapter 14 of the Code, a public utility is required to personally contact a customer before terminating their service, once at least three days before initiating termination and once, in-person, at the time of termination.<sup>161</sup> Peoples’ internal training materials did not inform Peoples’ field personnel of Chapter 14’s personal contact requirements or indicate that field personnel were otherwise aware of the

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<sup>159</sup> Peoples St. 9-R at 26.

<sup>160</sup> Peoples St. 9-R at 26.

<sup>161</sup> 66 Pa. C.S. § 1406(b).

requirements.<sup>162</sup> OCA states that without evidence of adequate training or confirmation from management oversight of field personnel's personal contact, the Commission cannot be certain that Peoples is complying with its obligations under the Code.<sup>163</sup>

OCA recommends that the Company implement training protocols to ensure that its field personnel are aware of the Company's legal obligations during a termination proceeding, and that the Company begin documenting management oversight of field personnel's training and execution of personal contact prior to termination. While the Company is currently documenting overall compliance with Company standards through management observation of field personnel, due to the gravity of a termination of natural gas service, compliance with termination requirements should be documented, specifically, in addition to the Company's current efforts. OCA argues, since Peoples has not provided documentation demonstrating full compliance with termination procedures, the Commission should require that the Company's updated training materials and observation documentation be filed in a compliance filing at this docket number within three months following issuance of a Commission order in this proceeding.<sup>164</sup>

The Company accepted OCA's recommendation to add explicit language to its training materials to specifically note the requirement to attempt personal contact immediately prior to actual termination of service. The Company agrees to add express language to its training documentation concerning personal contact attempts within 90 days of a final Commission Order in this proceeding.<sup>165</sup> In its Reply Brief, OCA now accepts Peoples' commitment.<sup>166</sup>

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<sup>162</sup> OCA St. 5 at 23; OCA Exh. BA-4.

<sup>163</sup> OCA St. 5 at 24.

<sup>164</sup> OCA St. 5-SR at 10.

<sup>165</sup> Peoples M.B. at 94.

<sup>166</sup> OCA R.B. at 63.

#### 4. Communication and Processes to Tenants in Terminated Shared Premises

OCA recommends that Peoples implement improved protections for tenants of leased premises where the landlord is responsible for natural gas service, in cases where the landlord's service is terminated.<sup>167</sup> Sections 1521 through 1533 of the Code, or the Discontinuance of Service to Leased Premises Act (DSLPA), govern the responsibilities of public utilities with respect to notifying tenants of landlords whose natural gas service is terminated and offering a tenant the ability to resume service at their leased premises.<sup>168</sup> Peoples' current policy requires an applicant for natural gas distribution service owning a shared premise, where one meter serves multiple units, to offer natural gas distribution service to the shared premise.<sup>169</sup>

OCA is concerned that Peoples' current policy may prevent tenants from being able to preserve natural gas service at their leased premises. As a result, OCA makes the following recommendations with regard to how Peoples should adjust their policies:

Peoples should allow tenants to affirmatively request that their personal information not be provided to the landlord/owner.

Peoples' policies and disclosures should reflect that landlords may not retaliate against their tenants for 1) the tenant exercising their right to pay the utility bill to continue service under the landlord's name, and 2) to recover this payment by deducting the payment from their rental payment.

Peoples should accept from tenants; medical certificates and protection from abuse orders, or court orders issued by a court of competent jurisdiction in the Commonwealth, which provide clear evidence of domestic abuse.

Peoples should not terminate a landlord/tenant account during the months of December through March for households with

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<sup>167</sup> OCA St. 5 at 25.

<sup>168</sup> 66 Pa.C.S. §§ 1521-33.

<sup>169</sup> OCA St. 5 at 24.

income at or below 250% of the federal poverty income guidelines.<sup>[170]</sup>

OCA contends that these recommendations will protect the rights of tenants to continued utility service under the DSLPA without violating Commission policy protecting tenants from paying for utility usage for which they are not responsible.

In response, Peoples represents that it is aligned with OCA on some of its recommendations as the Company already has procedures in place that address OCA's recommendations regarding landlord retaliation concerns, customer privacy concerns, medical certificates and terminations for households during the months of December through March.<sup>171</sup>

First, as the Company explains in testimony and as shown in its exhibits, the Company's Tenant Notice addresses the OCA's concerns regarding privacy and landlord retaliation.<sup>172</sup> Further, the Company's customer service representatives are trained not to share any personal information and to protect customer privacy.<sup>173</sup> The Company's tenant notice advises tenants of their right to pay current charges and their right to deduct said charges from their rent.<sup>174</sup> Lastly, the Company does accept medical certificates from tenant customers.<sup>175</sup>

Despite the Company and OCA's alignment on most of the landlord-tenant recommendations, the Company disagrees with OCA's recommendation regarding protection from abuse orders (PFA). OCA recommends that Peoples accept PFAs from tenants. OCA Witness Alexander explained that she is unaware of any lawful or regulatory basis for denying

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<sup>170</sup> OCA St. 5 at 25-26.

<sup>171</sup> Peoples St. 16-R at 7-8.

<sup>172</sup> Peoples St.16-R at 7-8; Peoples Exhibit HDC-R5.

<sup>173</sup> Peoples Exhibit Nos. HDC-R5 and HDC-R4.

<sup>174</sup> Peoples St. 16-R at 7.

<sup>175</sup> Peoples St.16-R at. 7.

PFA rights to tenants and that since Peoples provides medical emergency rights to a tenant, there is no basis for refusing to provide PFA rights.<sup>176</sup>

The Company explains that while it accepts PFAs from victims of domestic abuse who have bills accrued in the name of their abuser, it should not provide PFA protection to landlords in the event their tenant has a PFA.<sup>177</sup> Peoples maintains that medical certificates are functionally different from PFAs.<sup>178</sup> Since a tenant is not obligated to pay a utility bill in the name of their landlord, PFA protections are not necessary in the same way that medical certificates are necessary.<sup>179</sup> For these reasons, the OCA's recommendation for the Company to accept tenant PFAs in the same way it does tenant medical certificates should be rejected.

I agree with Peoples' logic regarding the difference between a medical certificate and a PFA for the purposes of providing tenant protections from their landlord. I further find that Peoples' current practices otherwise align with OCA's other recommendations and that it is not necessary to impose further conditions.

##### 5. Customer Education About Supplier Charges

While Peoples, as an NGDC, merely acts as a billing agent for customers who elect to utilize a natural gas supplier (NGS) instead of the default service program, Peoples should improve its customer education to ensure customers understand the costs associated with shopping for an NGS. Of the 80,325 residential Peoples customers shopping as of December 2023, 99% were paying more than the default service program for their natural gas and 86% were paying over twice the price to compare for NGS service. Customers paying such high bills pose a long-term risk to all of Peoples' customers, as high bills pose a risk of high costs from overdue bills, increased call center activity, termination of service, and uncollectible expenses.

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<sup>176</sup> OCA St. 5-R at 13.

<sup>177</sup> Peoples St. 16-R at 12.

<sup>178</sup> Peoples St. 16-RJ at 2.

<sup>179</sup> Peoples St. 16-RJ at 2.

Peoples has an obligation to mitigate such costs. OCA's recommendations are geared towards ensuring that Peoples fulfills this obligation through increased education and transparency.<sup>180</sup>

OCA recommends that the Company expand its customer education with regard to shopping for an NGS to ensure that customers are aware of the potential for increased bills or are aware of the length of their contract remaining. Additional customer education would not interfere with customer choice for a supplier but would mitigate the harm caused by inattention to the duration of an NGS contract or a misunderstanding of the terms of an NGS contract. Further, Peoples' bills should directly compare the commodity price a customer is paying with the price to compare on a side-to-side, apples-to-apples basis. This would ensure customers who are saving through shopping or receiving default service can be confident in their decisions, while customers who are paying in excess of the price to compare will be unquestionably informed of the excess price they pay.<sup>181</sup> According to OCA, well-designed and factual information provided to customers who shop in a timely manner could allow them to make a more informed decision about their bills and this could also result in decreased collection costs for Peoples.<sup>182</sup>

Peoples counters that these additional requirements are not necessary. The Company explains that the Company does educate customers with respect to shopping options and prices and already explicitly states the price to compare on customer bills.<sup>183</sup> According to Peoples, OCA offers no evidence to suggest that the Company is out of compliance with the Commission's regulations on shopping. Further, OCA offers no evidence to suggest that the Company has any control over any particular customer's ability to shop. Rather, the Company is in full compliance with its obligations to provide current prices to compare to its customers. OCA's requests may be best suited for the actual suppliers providing the commodity and pricing or the Commission's Office of Competitive Market Oversight who closely monitors and manages

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<sup>180</sup> OCA St. 5 at 31.

<sup>181</sup> OCA St. 5-R at 11.

<sup>182</sup> OCA St. 5-SR at 11.

<sup>183</sup> Peoples St. 4-R at 15.

the retail natural gas market in Pennsylvania. Therefore, Peoples asserts that it already meets its obligations with respect to shopping customer education and pricing information, therefore OCA's recommendations are unnecessary.

I agree with Peoples. There are abundant resources available for consumers who wish to shop for alternatives to default service for gas supply. It is not necessary to impose additional requirements on Peoples as a gas distribution company or upon Peoples' non-shopping ratepayers for any additional costs that may be associated with adopting OCA's recommendations.

### C. Low income Customer Service Issues

OCA makes a number of recommendations for improvements to Peoples' low income programs. OCA explains that improvements to affordability are essential for both confirmed low income households and unconfirmed low income households which benefit ratepayers as a whole and utility shareholders as well.

#### 1. Root Cause Analysis Regarding Termination of Black Householders

OCA recommends that Peoples conduct a root cause analysis to determine why there are a disproportionate number of terminations for nonpayment in the portions of the Company's service territory with the highest proportions of Black householders.<sup>184</sup> While the OCA is not alleging in this proceeding that such terminations are targeted or that the discriminatory effects of the Company's actions are intentional, the correlative data requires investigation by the Company. If the Company continues to refute the existence of such data, the Commission should investigate.

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<sup>184</sup> OCA St. 6 at 22.

Peoples counters that its termination procedure is strictly arrearage-based and that the Company does not disconnect customers on the basis of demographics.<sup>185</sup> The collections process is automated for all customers and is subject to the same procedure, notices and information regardless of the customer’s zip code or demographic.<sup>186</sup>

Addressing the root cause of poverty in certain communities and demographics is important. However, absent proof of explicit discrimination, it is not the role of the Commission to impose this task upon a single public utility in the context of a base rate proceeding. Accordingly, OCA’s recommendation that the Company perform a root cause analysis in this context should be rejected by the Commission.

## 2. Counting Low income Customers

OCA witness Colton recommended that Peoples modify its internal low income confirmation procedure to include all options available to customers under the Commission’s regulations, including self-certification, for all instances, including service disconnection and reconnection, without requiring verification of precise income levels.

Peoples submits that this issue, as identified by OCA witness Colton, is fully addressed by the Company’s stipulation as between PWPTF and CAUSE-PA from a practical perspective. Moreover, the Company agreed that the Company would “modify [its] reporting for confirmed low income for 2024 activity to include self-attestation data in the Universal Service Report.”<sup>187</sup> The Company further agreed to provide a revised report to its 2023 Universal Service Report (USR) to the Commission’s Bureau of Consumer Services (BCS). Thus, to the extent that OCA continues to argue that Peoples’ methodology of confirming low income customers within its service territory is incorrect, such position is meritless and has been wholly

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<sup>185</sup> Peoples St. 16-R at 9.

<sup>186</sup> Peoples St. 16-RJ at 3.

<sup>187</sup> Peoples St. 9-R at 6; Peoples M.B. at 80.

addressed by Peoples throughout this proceeding, as memorialized in the aforementioned Stipulation between Peoples, CAUSE-PA, and PWPTF.

I agree with Peoples that this issue is adequately addressed in the provisions of the Low-Income Stipulation and further requirements are not necessary.

### 3. Additional Personal Contact Prior to Disconnection

OCA recommends that Peoples adopt internal policies which provide information regarding CAP to customers who may be or are likely to be payment troubled to ensure that as many CAP-eligible customers are enrolled in CAP as would choose to enroll with complete information regarding the program. Maximizing enrollment in CAP can provide substantial benefit to CAP-eligible customers, non-CAP customers, and Peoples by reducing Peoples' termination and uncollectible expenses, which is proportionately incurred by non-CAP, confirmed low income customers.<sup>188</sup> The Commission has previously stated that public utilities should be enrolling customers in CAPs as early as possible "to maintain good payment habits and avoid accruing utility debt," instead of waiting until a customer has fallen into arrears or broken a payment arrangement to begin the process of enrollment.<sup>189</sup>

Specifically, OCA recommends the Commission direct the Company to take targeted education efforts during the following contacts with customers who are likely payment challenged or low income to improve enrollment in CAP: (1) prior to termination; (2) during the cold weather survey; and (3) when requesting a cash security deposit (as discussed further below). Further, the cost of providing additional notice to potentially CAP-eligible customers would not likely be significant, due to the relatively low cost of providing notice to confirmed low income customers at present rates – approximately \$25,000 in 2023 – and would likely be

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<sup>188</sup> OCA St. 6 at 16.

<sup>189</sup> *2019 Amendments to Policy Statement on Customer Assistance Program, 52 Pa. Code § 69.261–69.267*, Docket No. M-2019-3012599 at 46 (Order entered Sep. 19, 2019).

offset by additional revenues under Peoples' CAP program.<sup>190</sup> OCA suggests that increasing the number of opportunities to educate customers on Peoples' CAP is more likely to result in a greater proportion of eligible customers being enrolled and meet the Commission's policy goals with regard to CAPs, maximizing the number of customers receiving affordable bills they can pay regularly and in full.

In response to Mr. Colton's recommendation on this point, Ms. Black fully explained that Peoples already provides personal contact prior to termination, and that Peoples provides stand-alone CAP notices to those customers.<sup>191</sup> Further, Ms. Black explained that:

All of us operating in the utility space, from utility employees to regulators to low income advocates and social service agencies understand that while CAP and LIHEAP are incredible resources for household stabilization and affordability, far too many eligible customers do not participate. There are many reasons why eligible households do not take advantage of resources that would be beneficial, and this challenge is not limited to utility assistance programs broadly, or Peoples in particular. It is my belief that the Commission initiated the CEOP requirement in order to take steps to address this long-standing problem across all utility CAPs.<sup>[192]</sup>

Furthermore, in direct response to Mr. Colton's arguments to the contrary, Ms. Black explained that "at any point in the collections process the customer shows interest in applying for CAP and begins the application, a hold is placed on termination to allow time for the customer to complete the enrollment process."<sup>193</sup> According to Peoples, Mr. Colton's recommendations on this point are redundant. The record is clear that Peoples both pursues personal contact with its customers prior to service disconnection, provides ample opportunity and notice of the customer's ability to apply for CAP assistance, and stays disconnection

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<sup>190</sup> OCA St. 6-SR at 3, 4.

<sup>191</sup> Peoples St. 9-R at 11.

<sup>192</sup> Peoples St. 9-R 10-11.

<sup>193</sup> Peoples St. 9-R at 11.

activities when the customer shows interest in enrolling in CAP and begins the application. Peoples argues that Mr. Colton’s contentions on this point should be rejected, as Peoples’ procedures and practices are already responsive to his concerns.

I agree with Peoples and recommend that the Commission reject OCA’s recommendation.

#### 4. Referral to CAP When Requesting a Security Deposit

OCA argues that at the time that Peoples requests a cash security deposit from a residential customer, that customer should be provided information regarding CAP and an explanation that customers who are income-eligible for CAP are exempt from security deposits and ensure that the customer has the time to apply for CAP or self-certify their income prior to issuing a demand for a security deposit.<sup>194</sup> Currently, the Company requires a cash security deposit from customers who were recently delinquent on monthly bills, defaulted on a payment arrangement, or who have had their service terminated.<sup>195</sup> According to OCA, such customers are likely to be payment troubled and more likely to qualify for CAP than customers seeking connection who would not be subject to a cash security deposit requirement. Peoples’ current practices only provides relief from security deposits for those customers who have already reported low income status, despite the fact that the Code prohibits public utilities from collecting cash security deposits from customers who would be eligible for enrollment in a CAP.<sup>196</sup>

Peoples’ witness Ms. Black testified that, “[a] notice is not required since the Company already does not charge a deposit when [a] customer reports low income and

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<sup>194</sup> OCA St. 6 at 13.

<sup>195</sup> OCA St. 6 at 42.

<sup>196</sup> OCA St. 6-SR at 6; 66 Pa.C.S. § 1404(a.1).

customers are educated about CAP upon reporting low income.”<sup>197</sup> Requiring the provision of another written CAP notice to those same customers would be unnecessary and redundant.

I agree with Peoples. Coupled with the Company’s commitments in the Low-Income Stipulation to improve the identification of low income households in its service territory, the additional requirement recommended by OCA is not necessary.

#### 5. Payment Arrangement Affordability

OCA recommends that Peoples enhance efforts to enroll low income customers in CAP instead of offering a payment arrangement. According to OCA, by enrolling the customer in CAP instead of offering a payment arrangement, Peoples would begin offering CAP-eligible customers with monthly bills they can afford, work the customers towards arrearage forgiveness, and reduce uncollectible expenses passed onto other customers as a result of unaffordable payment arrangements. As a result, OCA recommends that Peoples provide a standalone, plain English notice to confirmed low income customers during the process of enrolling those customers in a payment arrangement which informs the customer of their right to enroll in a CAP program and the benefits of the CAP program to customers with an arrearage balance.

Peoples does not disagree that eligible low income customers should be informed about and encouraged to enroll in CAP programs. However, Peoples asserts that it already has robust practices in place for this purpose and that the requirements advocated by OCA would be redundant.

In response to this recommendation by OCA witness Colton, Peoples witness Rita Black fully explained the Company’s processes and procedures related to the same, noting that:

All customers presenting with income at or below 150% FPL are offered CAP when payment arrangements are discussed. Peoples’ call center staff are well versed in the benefits of CAP and encourage customers to enroll in CAP rather than establishing a deferred payment plan. For some customers

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<sup>197</sup> Peoples St. 16-R at 5.

facing arrearages, the prospect of making a verbal payment arrangement in a few moments to stop termination is seen as easier than applying for CAP as CAP requires proof of income. I do not share Mr. Colton's opinion that another notice, mailed to the customer following the creation of their deferred payment arrangement, will increase motivation to apply for CAP. I do, however, see value in incorporating a plain language CAP notice into the cold weather survey packet and will include this topic in the April USAG in order to ensure that any changes necessary to the cold weather survey packet, prior to the 2024 fall heating season, can be completed in a timely manner.<sup>[198]</sup>

I agree with Peoples that the record adequately demonstrates that it offers its customers information related to the Company's CAP when deferred payment agreements are discussed with the customer. OCA's recommendation on this point is wholly redundant and should be rejected. Moreover, as explained by Ms. Black, the Company is agreeable to providing a CAP notice to customers in its cold weather survey packet, as recommended by OCA.<sup>199</sup>

## 6. Speech Analytics

OCA recommends that Peoples utilize its current speech analytics software to identify customers who may be payment troubled. Being payment troubled is a manner to identify potential CAP customers and it should not be considered a pre-requisite to qualifying for CAP.<sup>200</sup> OCA asserts Peoples should be able to use the software currently employed to review call center conversations, Verint Automated Call Monitoring and Speech Analytics (Verint), to identify keywords which might indicate that a customer calling into the call center is payment troubled.<sup>201</sup>

According to OCA witness Colton, Peoples primarily uses Verint to confirm that calls into its call center are properly categorized as an emergency call through reviewing call

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<sup>198</sup> Peoples St. 9-R at 12.

<sup>199</sup> Peoples St. 9-R at 12

<sup>200</sup> OCA St. 6 at 44.

<sup>201</sup> OCA St. 6 at 46.

transcripts for specific search terms Peoples designated as being associated with an emergency call.<sup>202</sup> He testified that speech analytics software such as Verint are powerful tools for public utilities to review call center performance; importantly, they can be modified to trigger different results from different search terms and are not necessarily siloed to produce results for only whether or not a call contains key terms relevant to an emergency. Instead, Peoples could likely, with little difficulty, modify Verint to signal when a customer call uses terms which indicate the customer may be payment troubled, such as during a personal contact with a customer for termination for non-payment, establishing a payment arrangement, or similar types of customer contacts.<sup>203</sup>

Therefore, OCA recommends that Peoples utilize its Universal Services Advisory Group (USAG) to identify terms which, when reviewed by Verint, may assist in identifying a low income or payment troubled customer. Peoples' assurances that its call center is adequately trained to identify low income customers do not nullify Mr. Colton's recommendation, as additional methods of identifying low income customers are unlikely to substantially burden the Company while ensuring that the Company is using all means at its disposal to fulfill its statutory obligation to provide affordable service for all of its customers. According to OCA, using Verint, the Company would be able to follow-up with Verint-identified customers regarding bill assistance, budget billing, or other programs which would benefit payment troubled customers.

Peoples explains that it already employs Verint speech technology for a number of other functions.<sup>204</sup> This, however, does not mean that Peoples can simply "turn on" the functionality that Mr. Colton recommends. Peoples' witness, Ms. Doyle-Conly explained that "it would take considerable dedicated time, effort and expense to begin using the software for this purpose."<sup>205</sup> Moreover, Ms. Doyle-Conley explained that the Company uses a dedicated phone queue for customers that are calling to inquire about universal service programs, such that the

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<sup>202</sup> OCA St. 6 at 46.

<sup>203</sup> OCA St. 6 at 47.

<sup>204</sup> *See* OCA Exhibit No. RDC-6.

<sup>205</sup> Peoples St. 16-RJ at 4.

answering agent is aware that the caller is seeking assistance or may be income eligible for low income programs.<sup>206</sup> In contrast, Mr. Colton provided no meaningful testimony as to how the expanded use of Verint would increase CAP enrollment and participation, nor did Mr. Colton address the functionality of Peoples' existing Verint use, the costs associated with extending it, or whether such functionality is being used by other utilities successfully. As such, Peoples submits that the Commission should reject Mr. Colton's recommendations regarding the Company's use of Verint, and extension thereof.

Software improvements necessarily include additional human and monetary resources to execute. OCA has not offered any evidence that the expense involved in expanding the use of Verint will result in sufficient incremental benefits to Peoples' existing outreach to CAP customers<sup>207</sup> to offset the costs to ratepayers. Therefore, OCA's recommendation is rejected.

## XII. CONCLUSION

Any increase in utility rates is difficult for the utility's customers. After hearing the testimony of customers like Luann Byrnes, I am aware of the gravity of the decision I make here in recommending that the Commission approve the rate increase authorized by the Joint Petition. However, it is my role as an administrative law judge to apply the law pursuant to the Public Utility Code and the Commission's regulations and policies. Within the framework provided by that authority I find the Joint Petition along with the Low-Income Stipulation a reasonable balance of the competing needs of the stakeholders subject to the ratemaking process: residential consumers – both those who struggle to pay their bills and those who struggle less – and small businesses, large industrial customers, gas suppliers and the utility investors.

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<sup>206</sup> Peoples St. 16-RJ at 4-5.

<sup>207</sup> I would note that the Low-Income Stipulation included several commitments to improve identification and outreach to low income ratepayers.

I agree with OCA that the fact that parties have reached a settlement which would usually avoid litigation costs, by itself, is not a sufficient basis to support a conclusion that an agreement is in the public interest. In its opposition to the Joint Petition, OCA gives voice to many of the competing policies and social realities that legislators and regulators should consider in making law and policy regarding utility rates. These issues are important, but are better grappled with in the legislative and policy arena, than in the arena of adjudication.

However, I also agree with the Joint Petitioners that Joint Petition exemplifies the benefits to be derived from a negotiated approach to resolving what can appear at first blush to be irreconcilable regulatory differences. The Joint Petitioners have carefully discussed and negotiated all issues raised in this proceeding. The Joint Petitioners have also specifically addressed and resolved those issues in this Non-Unanimous Settlement. Further line-by-line identification of the ultimate resolution of the disputed issues beyond those presented in the Settlement is not necessary. The Joint Petition, along with the Low-Income Stipulation maintains the proper balance of the interests of all the diverse stakeholders in the ratemaking process. The compromise by the Joint Petitioners, who represented a diversity of views and positions, is reasonable. Therefore, I recommend that the Commission approve the Joint Petition for Non-Unanimous Settlement and the Low-Income Stipulation without modification.

#### XIV. CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the subject matter and the Parties to this proceeding. 66 Pa.C.S. §§ 1301, 1308(d).
2. A public utility's rates must be just and reasonable. 66 Pa.C.S. § 1301.
3. The Commission has broad discretion in determining whether rates are reasonable and to decide what factors it will consider in setting or evaluating a utility's rates. *Pa. Publ. Util. Comm'n v. City of Bethlehem - Water Dep't*, Docket No. R-2020-3020256 (Opinion and Order entered Apr. 15, 2021) (citing *Popowsky v. Pa. Pub. Util. Comm'n*, 683 A.2d 958 (Pa. Cmwlth. 1996); see also, *Popowsky v. Pa. Pub. Util. Comm'n*, 665 A.2d 808 (Pa. 1995).

4. The application of science and policy to the allocation of a revenue increase is within the Commission's discretion: There is no set formula for determining proper ratios among the rates of different customer classes. What is reasonable under the circumstances, the proper difference among rate classes, is an administrative question for the Commission to decide. *Peoples Nat. Gas Co. v. Pa. Publ. Util. Comm'n*, 409 A.2d 446 (Pa. Cmwlth. 1979); *see also*, *Pa. Pub. Util. Comm'n v. Cmty. Utils. Inc.*, Docket R-2021-3025206 (Opinion and Order entered January 13, 2022)(citations omitted).

5. Commission policy promotes settlements. 52 Pa. Code § 5.231.

6. Settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. 52 Pa. Code § 69.401.

7. In order to accept a settlement, the Commission must determine that the proposed terms and conditions are in the public interest. *Pa. Pub. Util. Comm'n, v. UGI Utils., Inc. – Gas Div.*, Docket No. R-2015-2518438 (Order entered Oct. 14, 2016); *Pa. Pub. Util. Comm'n v. CS Water & Sewer Assoc.*, 74 Pa.P.U.C. 767 (1991).

8. The joint petitioners have the burden to prove that the Settlement is in the public interest. *Pa. Publ. Util. Comm'n v. City of Bethlehem - Water Dep't*, Docket No. R-2020-3020256 (Opinion and Order entered Apr. 15, 2021).

9. The Joint Petition for Non-Unanimous Settlement and the Low-Income Stipulation are in the public interest. *Lloyd v. Pa. Pub. Util. Comm'n*, 904 A.2d 1010 (Pa. Cmwlth. 2006).

ORDER

THEREFORE,

IT IS RECOMMENDED:

1. That the Joint Petition for Non-Unanimous Settlement filed on May 30, 2024 by Peoples Natural Gas Company LLC, the Bureau of Investigation and Enforcement, the Office of Small Business Advocate, the Pennsylvania Independent Oil and Gas Association and the Peoples Industrial Intervenors be granted, and the Settlement be adopted, in full, without modification or correction.

2. That the Low-Income Stipulation filed on May 30, 2024 by Peoples Natural Gas Company LLC, the Coalition for Affordable Utility Service and Energy Efficiency in Pennsylvania and the Pennsylvania Weatherization Providers Task Force be approved, and the Low-Income Stipulation be adopted, in full, without modification or correction.

3. That Peoples Natural Gas Company LLC shall be permitted to file tariffs in the form set forth in Appendix A to the Joint Petition for Non-Unanimous Settlement, to become effective upon at least one day's notice, for service rendered on and after September 27, 2024, so as to produce an annual increase in revenues consistent with this Order.

4. Peoples Natural Gas Company LLC, the Bureau of Investigation and Enforcement, the Office of Small Business Advocate, the Coalition for Affordable Utility Service and Energy Efficiency in Pennsylvania and the Pennsylvania Weatherization Providers Task Force shall comply with the terms of the Joint Petition for Non-Unanimous Settlement and Low-Income Stipulation submitted in this proceeding, as though each term and condition stated therein had been the subject of an individual ordering paragraph.

5. That the Formal Complaints of the Office of Consumer Advocate at C-2024-3045268; Terri Grinner, C-2024-3046069; William Weis, C-2024-3046877, Larry Feder, C-2024-3046233; Mary Frey, C-2024-3046469; Daniel Killmeyer, C-2024-3046888; and Rachel Havrilla, C-2024-3046915, in this proceeding be dismissed and marked as closed.

6. That the Formal Complaints of the Office of Small Business Advocate at C-2024-3045385 and the Peoples Industrial Intervenors, C-2024-3045960 be deemed satisfied and marked closed.

7. That upon acceptance and approval by the Commission of the tariffs and allocation of proposed settlement rate increase filed by Peoples Natural Gas Company LLC, this proceeding shall be terminated and marked closed.

Date: July 15, 2024

\_\_\_\_\_/s/\_\_\_\_\_  
Mary D. Long  
Administrative Law Judge

APPENDIX A

LITIGATION POSITIONS OF PEOPLES, OCA and I&E

	<b>Peoples</b>	<b>OCA</b>	<b>BIE</b>
	\$ (000s)	\$ (000s)	\$ (000s)
<b>Operating Revenue</b>	989,857	846,129	932,394
<b>Expenses:</b>			
<b>O &amp; M Expense</b>	545,678	524,304	539,649
<b>Depreciation</b>	134,220	134,629	134,220
<b>Taxes, Other</b>	15,353	14,936	15,139
<b>Income Taxes:</b>			
<b>State</b>	0	(19)	0
<b>Federal</b>	(59,658)	(86,871)	21,560
<b>Deferred Taxes</b>			(91,345)
<b>Total Expenses</b>	635,592	586,979	619,223
<b>Net Inc. Available for Return</b>	354,265	259,211	313,172
<b>Rate Base</b>	4,215,125	4,184,194	4,214,959
<b>Rate of Return</b>	8.40%	6.20%	7.43%