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August 26, 2025

VIA ELECTRONIC FILING

Matthew L. Homsher, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor (filing room)
Harrisburg, PA 17120

Re: Pennsylvania Public Utility Commission v. Columbia Gas of Pennsylvania, Inc.; Docket No. R-2025-3053499; C-2025-3054780; **MAIN BRIEF OF THE PENNSYLVANIA STATE UNIVERSITY (PUBLIC VERSION)**

Dear Secretary Homsher:

Attached for filing is the Main Brief of The Pennsylvania State University (Public Version). Copies of this document have been served in accordance with the attached Certificate of Service. Please note the Confidential Version of PSU's Main Brief has been uploaded to the PUC SharePoint.

If you have any questions regarding this filing, please direct them to me.

Very truly yours,

/s/ Erich W. Struble

Whitney E. Snyder
Thomas J. Sniscak
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Counsel for The Pennsylvania State University

EWS/das
Enclosures

cc: Administrative Law Judge Jeffrey A. Watson (by email, jeffwatson@pa.gov)
Administrative Law Judge Chad L. Allensworth (by email, callenswor@pa.gov)
Per Certificate of Service

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission	:	Docket Nos. R-2025-3053499
	:	C-2025-3054434
v.	:	C-2025-3054552
	:	C-2025-3054662
Columbia Gas of Pennsylvania, Inc.	:	C-2025-3054780

MAIN BRIEF OF THE PENNSYLVANIA STATE UNIVERSITY

PUBLIC VERSION

Respectfully submitted,

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Dated: August 26, 2025

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I. Introduction

Complainant the Pennsylvania State University ("Penn State") is briefing one topic in this proceeding – rate structure/revenue allocation. As the Commonwealth Court has held, cost of service is the "polestar" for allocating revenue and cannot simply be ignored.[1] In this case, Penn State has presented substantial, unrebutted evidence that the way Columbia Gas Company of Pennsylvania ("Columbia" or the "Company") designs and incurs costs for its distribution system shows that the Company's actual cost to serve customers is best reflected in its customer-demand cost of service study ("Customer-Demand Study"). Penn State has also presented substantial, unrebutted evidence that the Company's peak and average cost of service study ("Peak and Average Study") does not align with the reality of the costs incurred to serve all classes of customers because it significantly over allocates *miles* of mains to the industrial and large commercial customers compared to the actual miles of mains constructed to serve these customers.

Recognizing the need for balance and gradualism in allocation of costs and rate structure, Penn State's position is that the Company's average cost of service study ("Average Study") should be adopted because it is a balanced middle-ground approach that acceptably weighs the interests of residential and industrial class customers. Penn State receives service from Columbia Gas in all customer classes, not solely as an industrial customer.[2] While Penn State Witness Mr. Crist correctly advocates for use

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[1] *Lloyd v. Pennsylvania Public Utility Commission*, 904 A.2d 1010, 1020 (Pa. Cmwlth. 2006).
[2] PSU St. No. 1-SR, Surrebuttal Testimony of J. Crist at 13:4-5.

of the Customer-Demand Study and the resulting revenue allocation, Penn State believes, consistent with Mr. Crist's testimony, that Your Honors and the Commission should adopt, as a balanced position that weighs the interests of all ratepayers, the Average Study for cost of service and resulting revenue allocation and rate design. Adopting the Company's Peak and Average Study results in the residential rate class not paying for their fair share of distribution mainlines ("mains") and would increase cross-class subsidization.

II. Summary of Argument

The Company's Customer-Demand Study should be the primary guide for the allocation of the revenue increase in this case because customer-demand is the only factor the Company considers in the design of its gas distribution system. The Peak and Average Study should be rejected as the sole basis for cost allocation because it allocates an excessive amount of gas mains to the LDS/LGSS class. Penn State has submitted substantial evidence in support of both positions.

Moreover, the Commission is neither bound by nor entitled to rely on its decision in the Company's 2020 base rate proceeding where revenue allocations were based solely on the peak and average cost of service study due to perceived errors in Columbia's customer-demand study. The Commission must consider the actual evidence presented in this case to render its decision regarding appropriate class cost allocation and rate structure. The Commission's finding in 2020 that "[gas m]ains investment is driven by the loads placed upon it, not by the number of customers served" is belied by the evidence presented here.

Though primary reliance on the Customer-Demand Study is appropriate in this proceeding, Penn State believes the Company's Average Study is appropriate because it balances the interests of residential customers and industrial class customers.

III. Overall Position on Rate Increase

Penn State is not taking a position on the amount of increase the Company requested or the specifics thereof.

IV. Rate Base – N/A

V. Revenues – N/A

VI. Depreciation Expense – N/A

VII. O&M and A&G Expenses – N/A

VIII. Taxes – N/A

IX. Rate of Return – N/A

X. Rate Structure and Rate Design

A. Cost of Service Study

1. Introduction

The evidence shows that the Company's Customer-Demand Study should serve as the primary guide for allocating the revenue increase in this case because the number of customers and the peak demand are the only significant factors the Company considers in the design of its gas distribution system as demonstrated by the Company's actual construction and engineering considerations when designing its system. The Peak and Average Study should be rejected as the sole basis for cost allocation because, as the Company agrees, it allocates an excessive amount of gas mains to the LDS/LGSS class compared to the actual miles of mains required to serve these customers. This results in a cross-class subsidization, which is neither desirable nor permissible, and therefore must be rejected.

Moreover, the Commission must consider the evidence presented in this case to determine appropriate class cost allocation; the law does not allow the Commission to rely on prior decisions concerning cost of service issues when the current record demonstrates that a different result is warranted.[3] Even if the facts and evidence were the same now as in 2020, the Commission is not bound by any prior decision, including its decision in the Company's 2020 base rate proceeding accepting the Administrative Law Judge's recommendation to adopt the peak and average cost of service study presented at that time.[4] The evidence presented now clearly proves that peak demand and customer count determine system design and, as a result, should drive revenue allocation.

Though primary reliance on the Customer-Demand Study is appropriate in this proceeding, Penn State believes the Company's Average Study is acceptable because it

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[3] *Duquesne Light Co. v. Pa. Pub. Util. Comm'n*, 107 A.2d 745 751 (Pa. Super. 1954) ("The Commission may not ignore recent information and evidence in the record which substantially affects the problem before it."); *see also Butler Twp. Water Co. v. Pa. Pub. Util. Comm'n*, 473 A.2d 219 (Pa. Cmwlth. 1984) (quoting *Aizen v. Pa. Pub. Util. Comm'n*, 60 A.2d 443, 449 (Pa. Super. 1948) ("The declaration of a policy based on general conclusions may not be substituted for an evaluation of the evidence in each case. Although the PUC may adopt and follow a policy with respect to matters within its discretion, the exercise of such discretion is not without limitations. 'The Commission's power to act by way of order requires findings of fact, based on the evidence, necessary to support the order. A previously adopted policy may not furnish the sole basis for the Commission's action in a particular case. Policy cannot be made a substitute for evidence in a proceeding before it.'").

[4] *Pa. Pub. Util. Comm'n v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2020-3018835 *et al*., at 211 (Opinion and Order entered Feb. 19, 2021).

balances the interests of residential customers, commercial customers, and industrial class customers.

2. *The Evidence Shows That the Customer-Demand Study Provides the Most Accurate Reflection of Cost Causation.*

The polestar of ratemaking is cost of service,[5] and the cost of providing a public utility service must be, in turn, based on cost causation. "Under the cost causation principle, it has been traditionally required that all approved energy rates reflect to some degree the costs actually caused by the customer who must pay for them."[6] Cost of service studies are performed for this purpose. Such studies provide "a benchmark for evaluating customer class[7] cost responsibility with the fundamental purpose of aiding in the accurate and reasonable design of rates by identifying all the capital and operating costs incurred by the utility in serving its customers, and then directly assigning or allocating these costs to each individual rate class based on established principles of cost-causation."[8]

As Penn State witness James Crist explained, "[i]t is critical in a [cost of service study] to accurately determine cost causation by identifying the primary causative factor," be it demand related, energy or commodity related, or customer related.[9]

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[5] *Lloyd v. Pennsylvania Public Utility Commission*, 904 A.2d 1010, 1020 (Pa. Cmwlth. 2006).
[6] *Phila. Indus. and Com. Gas Users Group v. Pa. Pub. Util. Comm'n*, 2025 WL 2177932, at *3 (Pa. Cmwlth. 2025) (citing *Lloyd*, 904 A.2d at 1015).
[7] *See id*. ("For purposes of cost allocation, customers are grouped into separate 'homogenous' classes according to usage patterns and service characteristics common among groups of customers.").
[8] *Pa. Pub. Util. Comm'n v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2020-3018835 *et al*., at 187-188 (Opinion and Order entered Feb. 19, 2021).
[9] PSU St. No. 1, Direct Testimony of J. Crist at 8.

According to Mr. Crist and Company construction and engineering practices, a natural gas distribution company's design and construction of gas mains, as well as the related operation and maintenance expenses, are demand driven.[10] That is important here because "[gas m]ains and services account for the majority of the Company's gross plant investment and distribution O&M expenses, excluding gas costs."[11] Accordingly, the allocation of these items significantly impacts the outcome of the Company's cost of service studies.[12]

As in its prior base rate cases, the Company provided three cost of service studies with its rate increase filing: (1) the Customer-Demand Study; (2) the Peak and Average Study; and (3) the Average Study, which is an equal weighting of the first two studies.[13] The key difference between the Customer-Demand Study and the Peak and Average Study is that the Customer-Demand study relies on peak demand and customer count while the Peak and Average Study relies on peak demand and average annual demand.

While the Company "continues to believe" that the Customer-Demand Study and the Peak and Average Study "provide a reasonable range of returns for use in revenue allocation," it used the Peak and Average Study "as the primary guide for the allocation of the revenue increase in this case."[14] PSU Witness Mr. Crist opined that the Company departed from its historical reliance on the Average Study[15] and instead

[10] PSU St. No. 1, Direct Testimony of J. Crist at 8-9.
[11] Columbia St. No. 6, Direct Testimony of K. Johnson 9:15-16.
[12] Columbia St. No. 6, Direct Testimony of K. Johnson 9:16-17.
[13] Columbia St. No. 6, Direct Testimony of K. Johnson at 4-5.
[14] Columbia St. No. 6, Direct Testimony of K. Johnson at 4:16-20.
[15] PSU St. No. 1-R, Rebuttal Direct Testimony of J. Crist at 2:27-29 and 3:1 ("The Company's decision to utilize the Peak & Average [Study] is a departure from the Company's

relied on the Peak and Average Study only because alleged errors in the Company's 2020 customer-demand study caused the Administrative Law Judge in that base rate proceeding to recommend use of the Peak and Average Study.[16] The errors identified in the 2020 customer-demand study are not present in the current Customer-Demand Study,[17] and that Study provides the most accurate reflection of cost causation.

Here, the Customer-Demand Study provides the most accurate reflection of cost causation because, as PSU Witness Crist testified, "the cost causer of [the Company's] gas mains is the demand, not the commodity use, of the customer[; a***]ll sizing of pipe (the pipe diameter, and subsequent system operating pressure) is determined by the demand, which is based on connected load in BTU/hr***."[18] Mr. Crist clearly referenced the peak demand and differentiated it from the average demand. Mr. Crist's testimony is based on the Company's responses to data requests, as well as its engineering and design manuals and procedures, which show the basis for the Company's distribution system design and construction.[19] For example, when the Company plans a new residential construction project, it collects the following data:

> Where is the house line stubbed or marked? Left/right/other-specify?
>
> What delivery pressure is needed at the meter outlet?
>
> - 7" W.C. (standard delivery pressure)
> - 2 PSI

---

practice in nine previous rate cases from 2008 through 2020 where the Company used its average [study] as the basis for determining class rates of return and revenue allocation.").

[16] PSU St. No. 1, Direct Testimony of J. Crist at 11.
[17] PSU St. No. 1, Direct Testimony of J. Crist at 12.
[18] PSU St. No. 1, Direct Testimony of J. Crist at 16:18-21.
[19] PSU St. No. 1, Direct Testimony of J. Crist at 16:4-7.

> What is the approximate distance in feet from the property line to the meter location?
>
> Is the construction site within 6" of final grade with foundation backfilled?
>
> ***What is the total BTU load?***
>
> Are there any obstructions that would hinder the service line installation?
>
> Are private utilities marked?[20]

Moreover, regarding meter and service line-sizing, Columbia stated:

> The connected load of a customer moving into an existing facility would be based upon the total rating (either in BTUs – British Thermal Units, or cubic feet of gas per hour) of the gas appliances to be used by the customer. This information is provided to Columbia of PA, Inc., by the customer.
>
> Once the load information has been determined, the service line would be sized based upon the factors identified in the response to PSU 1-001.[21]

In his testimony, Mr. Crist clarified that the term "connected load" does not refer to annual throughput or annual load but instead the demand of the customer.[22] This was fleshed out in another response by the Company:

> Question No. PSU 1-011:
>
> Explain how Columbia determines total BTU load during engineering work associated with customer connections and pipeline sizing? What does a customer have to do to obtain such information?
>
> Response:

[20] PSU St. No. 1, Direct Testimony of J. Crist at 14:14-25 (emphasis added).
[21] PSU St. No. 1, Direct Testimony of J. Crist at 15:3-9.
[22] PSU St. No. 1, Direct Testimony of J. Crist at 15:11-12.

> For engineering work associated with a proposed new customer connection and pipeline sizing, the total BTU load is provided to Columbia of PA, Inc. by the customer. It is typically in the form of BTUs (British Thermal Units) or cubic feet of gas per hour.
>
> For engineering work associated with existing loads and pipeline sizing, Field Engineers use Synergi Gas, Columbia's modeling software program (which models our pipeline systems), to assist in sizing mainlines, to help ensure safe and reliable service to all our customers.
>
> This load information (in Synergi Gas) is in terms of Mcfh (thousand cubic feet of gas per hour) and is based on current usage of our existing customers and any new information provided Columbia (such as proposed new loads mentioned above). Our particular model is distinct to Columbia's pipeline system and is proprietary. This information is not provided to customers.[23]

In evaluating this information, Mr. Crist observed that "[n]one of the data used for pipe sizing and distribution system planning, engineering, and construction include annual commodity usage."[24] Rather, the Company repeatedly confirmed that "it considers the demand load information, expressed in terms of BTU/hr."[25]

The Company's Customer-Demand Study appropriately determines the allocation of gas main piping costs based on how the piping system was designed using the connected demand.[26] In contrast, the Peak and Average Study allocates the costs of gas mains based largely on the average demand or annual throughput, which, according

[23] PSU St. No. 1, Direct Testimony of J. Crist at 15:14-36.
[24] PSU St. No. 1, Direct Testimony of J. Crist at 16:1-2.
[25] PSU St. No. 1, Direct Testimony of J. Crist at 16:2-3.
[26] PSU St. No. 1, Direct Testimony of J. Crist at 17:3-5.

to the Company's own data, is not in accordance with cost causation principles. Importantly, none of the witnesses in this case who have endorsed the Peak and Average Study "refute the fact that distribution system engineering, design, and construction is based on the peak demand that customers place on the system," nor do they "defend the use of the Peak & Average [Study] based on cost causation or provide any evidence that the average demand has any impact on the cost of the distribution system."[27] Therefore, the Company's Customer-Demand Study should be the primary guide for the allocation of the revenue increase in this case.

3. *The Peak and Average Study Should be Rejected as the Sole Basis for Cost Allocation Because it Allocates an Excessive Amount of Gas Mains to the LDS/LGSS Class.*

As the Company admits, the Peak and Average Study erroneously allocates an excessive amount of gas mains to the LDS/LGSS Class when compared to the actual miles of mains serving these customers. For this error, and because it uses average demand (annual throughput) to assign costs, which, as stated above, is contrary to how the Company engineers its pipeline system, the Peak and Average Study cannot serve as the sole basis for cost allocation in this proceeding.

Penn State witness Mr. Crist presented detailed data from the Company regarding the length of gas mains that were assigned to the LDS/LGSS Class. First, the Company's witness, Kevin Johnson, estimated that the peak and average study allocated 958 miles of mains pipe dedicated to the LDS/LGSS Class, which he based

[27] PSU St. No. 1-SR, Surrebuttal Testimony of J. Crist at 4:8-12.

on pipe diameter information and the average cost per foot of pipe.[28] The Peak and Average Study thus allocated 12 miles of gas mains for each LDS/LGSS customer:

> Dividing the 958 miles of mains pipe assigned to the LDS/LGSS rate class by the 79 customers that make up the LDS/LGSS rate class results in the assignment of approximately 12 miles of mains for each LDS/LGSS customer.[29]

The allocation of 12 miles of mains per customer is grossly excessive. Second, the Company also provided data relating to the 10 largest non-MDLS or Flex customers and relating to all 79 LDS/LGSS customers.[30] Using that data, Mr. Crist concluded that there is "significantly less lengths of pipeline connected to the 10 largest, or to all 79 LDS/LGSS customers, tha[n] what was allocated to the LDS/LGSS group in the Peak & Average study."[31] Specifically, Mr. Crist opined that the data show an actual maximum mains length of BEGIN CONFIDENTIAL [redacted] END CONFIDENTIAL and an average mains length of BEGIN CONFIDENTIAL [redacted] END CONFIDENTIAL."[32]

Mr. Johnson and Office of Consumer Advocate witness Mr. Mierzwa argue that directly assigning costs to the LDS/LGSS Class (as opposed to projecting costs), as Mr. Crist did, is not possible.[33] Putting aside whether the available information allowed for

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[28] PSU St. No. 1, Direct Testimony of J. Crist, Exhibit JC-2 (Response (c) to PSU 1-014).
[29] PSU St. No. 1, Direct Testimony of J. Crist, Exhibit JC-2 (Response (c) to PSU 1-014).
[30] PSU St. No. 1, Direct Testimony of J. Crist, Confidential Exhibit JC-3 (Responses to PSU 1-016 and PSU 1-019).
[31] PSU St. No. 1-SR, Surrebuttal Testimony of J. Crist at 2:11-13.
[32] PSU St. No. 1, Direct Testimony of J. Crist at 18:23-27.
[33] Columbia St. No. 6-R, Rebuttal Testimony of K. Johnson at 6:11-20; OCA St. No. 4R, Rebuttal Testimony of J. Mierzwa at 8:19-22.

a precise direct assignment of costs to the LDS/LGSS Class, Mr. Crist's analysis establishes that the Peak and Average Study's assignment of 12 miles of pipe to each of the 79 LDS/LGSS customers is vastly overstated and unreasonable.[34] The Company agrees. Indeed, Mr. Johnson admitted that his Peak and Average Study relies on unreasonable assumptions related to miles of dedicated gas mains. Mr. Johnson stated that:

> The Peak and Average study assigned average cost of 12 miles of pipe to each of the 79 LDS/LGSS customers. It is reasonable to assume Columbia has not built 12 miles of dedicated mains to each LDS/LGSS customer. Therefore, the Company believes the Peak and Average study along with the Customer/Demand study is better used as an outside limit in the determination of a reasonable range for allocating mains costs.[35]

Mr. Johnson further stated in his rebuttal testimony that the "Company agrees with PSU Witness Crist . . . that it is reasonable to assume Columbia has not built 12 miles of dedicated mains to serve each LDS/LGSS customer."[36] In the context of this admission, Mr. Johnson explains that, while the Company used the Peak and Average Study as the primary study to establish class rates of return at present and proposed rates, "Columbia believes the results from the other two studies can still be useful as another reference point in guiding the allocation of the proposed revenue increase."[37] Accordingly,

[34] PSU St. No. 1-SR, Surrebuttal Testimony of J. Crist at 4:21-22 ("Actual data show that the cost allocated to the LDS/LGSS class are overstated under all three [cost of service studies] by the Company.").
[35] PSU St. No. 1, Direct Testimony of J. Crist, Exhibit JC-2 (Response to PSU 1-018).
[36] Columbia St. No. 6-R, Rebuttal Testimony of K. Johnson at 7:18-8:1.
[37] Columbia St. No. 6-R, Rebuttal Testimony of K. Johnson at 8:6-11.

because the Peak and Average Study "results in excessive allocation with no basis in cost causation,"[38] it is erroneous and should not serve as the basis for cost allocation.

4. The Commission Must Decide This Case Based on the Evidence Here, not Based on Prior Distinguishable Decisions.

The Commission must determine appropriate class cost allocation based on the evidence presented in this case. The law does not allow the Commission to resolve cost of service issues by relying on prior decisions when the current record shows that a different result is warranted. Even if the facts and evidence were the same now as in 2020, the Commission is not bound by any prior decision, including its decision in the Company's 2020 base rate proceeding accepting the Administrative Law Judge's recommendation to adopt the peak and average cost of service study presented at that time.[39] As a general matter, the Commission is not bound by *stare decisis,* or precedent, and is only required to explain why a different result or conclusion is warranted when it rules differently in like circumstances.[40]

In the Company's 2020 proceeding, the Commission determined that the "Peak & Average allocation methodology is the most appropriate allocation methodology to use in this proceeding because it is based on the premise of load-based investment."[41] This determination was based on the following logic: "[gas m]ains investment is driven

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[38] PSU St. No. 1, Direct Testimony of J. Crist at 19:8-9.
[39] *Pa. Pub. Util. Comm'n v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2020-3018835 *et al*., at 211 (Opinion and Order entered Feb. 19, 2021).
[40] *PECO Energy Co. v. Pa. Pub. Util. Comm'n*, 791 A.2d 1155, 1166 (Pa. 2002); *see also Baker v. U.S.*, 338 F. Supp. 331, 336 (E.D. Pa. 1972).
[41] *Pa. Pub. Util. Comm'n v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2020-3018835 *et al*., at 218 (Opinion and Order entered Feb. 19, 2021).

by the loads placed upon it, not by the number of customers served."[42] However, the evidence presented in this case contradicts that reasoning. Indeed, as described above, Mr. Crist testified that the

> Peak & Average [cost of service study] that uses average demand (annual throughput) to assign costs is not supported in the actual method Columbia uses to design, engineer, and build its gas pipeline system. ***The engineering procedures I submitted proved that only the peak demands and the number of customers are the data used by the Company in construction of its distributions system***.[43]

The Commission must consider the new evidence in this case rather than simply adopting prior decisions or reasoning. To be clear, the evidence here shows that the Company does not consider annual/average demand when designing and constructing its distribution system. As a result, any cost of service study that significantly relies on annual/average demand cannot accurately reflect cost of service. Moreover, when comparing the allocation of mains under the Peak and Average study to the actual reality of mains needed to serve industrial customers, the Peak and Average study over allocates *miles* of mains to these customers, demonstrating that it is erroneous and cannot be relied upon.

5. The Company's Average Study is an Acceptable Compromise.

Though primary reliance on the Customer-Demand Study is appropriate in this proceeding, Penn State believes the Company's Average Study is an acceptable

[42] *Pa. Pub. Util. Comm'n v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2020-3018835 *et al*., at 217 (Opinion and Order entered Feb. 19, 2021).
[43] PSU St. No. 1-R, Rebuttal Testimony of J. Crist at 17:13-18 (emphasis added).

compromise because it balances the interests of residential customers and industrial class customers. According to the Company's witness, Kevin Johnson, the Average Study:

> [I]s an average of the customer-demand and the peak and average study. The average study with its equal weighting of the two studies, provides the Company, the parties and the Commission with another set of returns that can be used as a guide in revenue allocation. In other words, the average study serves as another tool that can be used by the parties to inform the revenue allocation in setting cost-based rates.[44]

In 2020, as in prior years,[45] the Company contended that its average study should be used to guide revenue allocation because it "most accurately reflected the cost of service, avoided cross-class subsidization to the extent possible, and was fair to all rate classes."[46] However, in that proceeding, the OCA successfully argued that the Company's average study was flawed because it was based in part on a flawed customer-demand study.[47] While the Administrative Law Judge referred to the Company's customer-demand study as the "preferred method," she noted that it "contains serious flaws that skews its reliability and makes it unsuitable for use at this time and with this NGDC."[48] The alleged flaw in the 2020 customer-demand study that OCA identified is not present in the Company's 2025 Customer-Demand Study.[49] The

[44] Columbia St. No. 6, Direct Testimony of K. Johnson at 5:1-6.
[45] PSU St. No. 1-R, Rebuttal Testimony of J. Crist at 2:28-3:1.
[46] *Pa. Pub. Util. Comm'n v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2020-3018835 *et al.*, at 250-251 (Recommended Decision entered Dec. 4, 2020).
[47] *Id*. at 316.
[48] *Id*. at 394.
[49] PSU St. No. 1, Direct Testimony of J. Crist at 12.

Average Study is an acceptable alternative to Penn State for this reason and because the new evidence regarding the Company's engineering process introduced by Mr. Crist recommends reliance on the Customer-Demand Study.

B. Revenue Allocation

Penn State maintains that:

> The Customer-Demand cost of service study is the only cost of service study in this case that is based on cost causation, and, therefore, the allocations must be based on the Customer-Demand [Study] . . . Mr. Johnson's recommendation of allocating revenue using the Peak & Average study that is not evidence-based does not adhere to cost causation principles must be rejected. Basing revenue allocation on [the Commission's 2020 decision] that resulted from an [ALJ] order that was based on the 'non[-]preferred' [cost of service study] should not be permitted. It skews the historically balanced revenue allocation and burdens all other classes to solely benefit the residential class. This unjust and unfair situation must be corrected.[50]

If, however, the Commission permits sole reliance on the Peak and Average Study, then principles of gradualism[51] dictate that the increase to the LDS/LGSS Class be capped at 1.5 times the average system increase. Penn State witness Mr. Crist agrees with Mr. Johnson's testimony on this point where he expresses disapproval of OCA's and OSBA's proposed 2.0 times the average system increase to the LDS/LGSS Class.[52] Mr.

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[50] PSU St. No. 1-R, Rebuttal Testimony of J. Crist at 17:28-3:1.
[51] *See Lloyd*, 904 A.2d at 1020 (gradualism is the principle under which utility rates are gradually increased in order to avoid rate shock, as part of what is overall considered a reasonable rate under the circumstances and is permitted in implementing large rate increases).
[52] PSU St. No. 1-SR, Surrebuttal Testimony of J. Crist at 5:5-9.

Johnson stated that he does not support OCA's recommendation because "OCA Witness Mierzwa's allocated revenue requirement to the LDS/LGSS class is in excess of the 1.5 times average system increase, which represents the upper bound for rate gradualism used by the Commission in Columbia's 2020 rate case . . . ."[53] Mr. Johnson rejects OSBA's allocated revenue requirement to the LDS/LGSS Class for this same reason.[54]

C. Rate Design/ Tariff Structure – N/A

D. Summary and Alternatives – N/A

XI. Alternative Ratemaking – N/A

A. Weather Normalization Adjustment

B. Revenue Normalization Adjustment

XII. Customer Service / Quality of Service – N/A

XIII. Universal Service Programs – N/A

XIV. Energy Efficiency Program – N/A

XV. Competitive Supply Issues – N/A

XVI. Tariff Issues (Not Briefed Above) – N/A

A. Rate EDDS

B. Eligible Customer List

XVII. Miscellaneous Issues – N/A

[53] Columbia St. No. 6-R, Rebuttal Testimony of K. Johnson at 10:11-14.
[54] Columbia St. No. 6-R, Rebuttal Testimony of K. Johnson at 10:16-11:7.

XVII. Conclusion – N/A

Respectfully submitted,

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Dated: August 26, 2025

APPENDIX A

PROPOSED FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDERING PARAGRAPHS

APPENDIX A

PROPOSED FINDINGS OF FACT[1]

1. On March 20, 2025, Columbia Gas of Pennsylvania, Inc. ("Columbia" or the "Company") filed Supplement No. 392 to Tariff Gas of Pa. P.U.C. No. 9 with the Pennsylvania Public Utility Commission ("Commission"). The Company proposed increasing rates to produce additional overall revenues of $110.5 million per year, a 12.0% increase in the overall distribution revenue requirement.

2. On April 28, 2025, Columbia filed its Supplement No. 399 to Tariff Gas Pa. P.U.C. No. 9, pursuant to the Commission's April 24, 2025 Order, suspending the proposed rates and rules contained in Supplement No. 392 to Tariff Gas Pa. P.U.C. No. 9 until December 19, 2025.

3. Columbia conducted three allocated cost of service studies ("COSS"): a customer-demand study; a peak and average study, and an average study, which is an average of the customer-demand study and the peak and average study.

4. Gas mains and services account for the majority of the Company's gross plant investment and distribution O&M expenses, excluding gas costs.

[1] These Proposed Findings of Fact are limited to the issues briefed by the Pennsylvania State University.

5. The customer-demand COSS provides an accurate reflection of cost causation because the cost causer of the Company's gas mains is the demand, not the commodity use, of the customer.

6. In the case of Columbia, all sizing of pipe (the pipe diameter and subsequent system operating pressure) is determined by the demand, which is based on connected load in BTU/hr.

7. None of the data that Columbia uses for pipe sizing and distribution system planning, engineering, and construction include annual commodity usage; the Company considers demand load information, expressed in terms of BTU/hr.

8. The Company's customer-demand COSS appropriately determines the allocation of gas main piping costs based on how the piping system was designed using the connected demand.

9. The Company estimates there to be 958 miles of mains pipe dedicated to the LDS/LGSS class.

10. The LDS/LGSS class is comprised of 79 customers; therefore, the Company's peak and average COSS estimates there to be 12 miles of mains pipe for each LDS/LGSS customer.

11. The Company's COSS witness stated that "[i]t is reasonable to assume Columbia has not built 12 miles of dedicated mains to each LDS/LGSS customer."

12. The peak and average COSS allocates an excessive amount of gas mains to the LDS/LGSS class.

13. The peak and average COSS is contrary to how the Company engineers its pipeline system because it uses average demand (annual throughput) to assign costs.

14. The Company's peak and average COSS inappropriately determines the allocation of gas main piping costs.

15. The Company's average COSS balances the interests of residential customers and industrial class customers.

16. The Company's average COSS accurately reflects the cost of service, avoids cross-class subsidization to the extent possible, and is fair to all rate classes.

APPENDIX A

PROPOSED CONCLUSIONS OF LAW[2]

1. The polestar of ratemaking is cost of service. *Lloyd v. Pennsylvania Public Utility Commission*, 904 A.2d 1010, 1020 (Pa. Cmwlth. 2006).

2. "Under the cost causation principle, it has been traditionally required that all approved energy rates reflect to some degree the costs actually caused by the customer who must pay for them." *Phila. Indus. and Com. Gas Users Group v. Pa. Pub. Util. Comm'n*, 2025 WL 2177932, at *3 (Pa. Cmwlth. 2025) (citing *Lloyd*, 904 A.2d at 1015).

3. Allocated cost of service studies ("COSS") provide "a benchmark for evaluating class cost responsibility customer class cost responsibility with the fundamental purpose of aiding in the accurate and reasonable design of rates by identifying all the capital and operating costs incurred by the utility in serving its customers, and then directly assigning or allocating these costs to each individual rate class based on established principles of cost-causation." *Pa. Pub. Util. Comm'n v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2020-3018835 *et al.*, at 187-188 (Opinion and Order entered Feb. 19, 2021).

4. The Commission is not bound by stare decisis, or precedent, and is only required to explain why a different result or conclusion is warranted where it rules

[2] These Proposed Conclusions of Law are limited to the issues briefed by the Pennsylvania State University.

differently in like circumstances. *PECO Energy Co. v. Pa. Pub. Util. Comm'n*, 791 A.2d 1155, 1166 (Pa. 2002); *see also Baker v. U.S.*, 338 F. Supp. 331, 336 (E.D. Pa. 1972).

APPENDIX A

PROPOSED ORDERING PARAGRAPHS[3]

IT IS ORDERED THAT:

1. That Columbia Gas of Pennsylvania, Inc. ("Columbia") shall file detailed calculations with this Tariff filing, which shall demonstrate that the filed rates company with the proof of revenue, in the form and manner customarily filed in support of compliance tariffs.

2. That Columbia shall allocate the authorized increase to operating revenues to each customer class and a rate schedule in a manner prescribed in the Commission's Opinion and Order.

[3] These Proposed Ordering Paragraphs are limited to the issues briefed by the Pennsylvania State University.

APPENDIX B

RATE CASE TABLES

The Pennsylvania State University adopts Columbia Gas of Pennsylvania, Inc.'s revenue requirement table by reference.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the parties, listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a party).

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Dated this 26h day of August, 2025