



COMMONWEALTH OF PENNSYLVANIA

September 5, 2025

**E-FILED**

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

**Re: Pennsylvania Public Utility Commission v. Columbia Gas of Pennsylvania, Inc /  
Docket No. R-2025-3053499**

Dear Secretary Homsher:

Enclosed please find the Reply Brief, on behalf of the Office of Small Business Advocate (“OSBA”), in the above-captioned proceeding.

Copies will be served on all known parties in this proceeding, as indicated on the attached Certificate of Service.

If you have any questions, please do not hesitate to contact me.

Sincerely,

*/s/ Steven C. Gray*

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Attorney ID No. 77538

*Enclosures*

cc: Mark Ewen  
Parties of Record

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

<b>Pennsylvania Public Utility Commission</b>	:	
	:	
v.	:	<b>Docket No. R-2025-3053499</b>
	:	
<b>Columbia Gas of Pennsylvania, Inc.</b>	:	

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**REPLY BRIEF  
ON BEHALF OF THE  
OFFICE OF SMALL BUSINESS ADVOCATE**

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**Date: September 5, 2025**

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## I. INTRODUCTION

### A. History of the Proceeding

On March 20, 2025, Columbia Gas of Pennsylvania, Inc. (“Columbia” or the “Company”) filed Supplement No. 392 to Tariff Gas Pa. P.U.C. No. 9 (“Supplement No. 392”) with the Pennsylvania Public Utility Commission (“Commission”). Supplement No. 392, if approved by the Commission, would increase the Company’s total annual operating revenues by approximately \$110.5 million.

On April 11, 2025, the Office of Small Business Advocate (“OSBA”) filed a Complaint in opposition to Supplement No. 392.

On May 7, 2025, a telephonic prehearing conference was held before Administrative Law Judge (“ALJ”) Jeffery A. Watson and ALJ Chad L. Allensworth.

On May 8, 2025, ALJ Watson and ALJ Allensworth issued their Interim Order Establishing Litigation Schedule and Revising Discovery Procedures.

On May 9, 2025, ALJ Watson and ALJ Allensworth issued their Prehearing Order.

On June 18, 2025, the OSBA served the Direct Testimony of Mark D. Ewen.

On July 17, 2025, the OSBA served the Rebuttal Testimony of Mr. Ewen.

On July 31, 2025, the OSBA served the Surrebuttal Testimony of Mr. Ewen.

On August 1, 2025, ALJ Watson and ALJ Allensworth issued their Interim Setting Requirements for Briefs and Settlement Documents.

On August 6, 2027, ALJ Watson and ALJ Allensworth conducted an evidentiary hearing.

On August 7, 2027, ALJ Watson and ALJ Allensworth conducted an evidentiary hearing.

On August 26, 2025, the OSBA filed its Main Brief.

The OSBA files this Reply Brief in accordance with the ALJs' May 9<sup>th</sup> Prehearing Order.

B. Legal Standards

This section was addressed in the OSBA's Main Brief. The OSBA has no further arguments to set forth in this Reply Brief.

**II. SUMMARY OF ARGUMENT**

The OSBA supports a reduction in Columbia's requested Return on Equity of 11.35% as argued by the Bureau of Investigation and Enforcement and the Office of Consumer Advocate.

The OSBA adopts the "Peak & Average" ("P&A") cost of service study ("COSS") methodology in this proceeding.

The OSBA proposed revenue allocation should be adopted in this proceeding as it moves Columbia's customer classes closer to their cost of service than the Company's proposal and does not impermissibly move Columbia's small business customers further away from their cost of service as does the Office of Consumer Advocate revenue allocation proposal.

The OSBA's proposed revenue allocation should be proportionally scaled-back to allocate the final revenue increases to the Company's customer classes.

If the Commission awards Columbia a revenue increase less than \$110.5 million, the SGS1 customer charge should remain at \$33.00, and the SGS2 customer charge be proportionally scaled back from \$66.12.

The Commission should deny Columbia's proposed Revenue Normalization Adjustment.

The OSBA supports Columbia's proposed Energy Efficiency Plan for the Company's small business customers.

OSBA witness Mark D. Ewen provides a series of suggestions that could improve Columbia's proposed Energy Efficiency Plan.

### **III. OVERALL POSITION ON THE RATE INCREASE**

This section was addressed in the OSBA's Main Brief. The OSBA has no further arguments to set forth in this Reply Brief.

### **IV. RATE BASE**

The OSBA is not briefing this issue.

### **V. REVENUES**

The OSBA is not briefing this issue.

### **VI. DEPRECIATION EXPENSE**

The OSBA is not briefing this issue.

### **VII. O&M AND A&G EXPENSES**

The OSBA is not briefing this issue.

### **VIII. TAXES**

The OSBA is not briefing this issue.

## IX. RATE OF RETURN

The OSBA is not briefing this issue.

## X. RATE STRUCTURE AND RATE DESIGN

### A. Cost of Service Study

This section was addressed in the OSBA's Main Brief. The OSBA has no further arguments to set forth in this Reply Brief.

### B. Revenue Allocation

#### 1. Columbia<sup>1</sup>

In its Main Brief, Columbia stated, as follows:

The other parties' allocation proposals are simply designed to reduce allocations to their respective classes.

Columbia Main Brief, at 143.

Columbia's statement is intentionally misleading. First, there is no record evidence to support Columbia's prejudicial characterization. Second, the OSBA has a long record, across many rate cases, where this Office has advocated for relatively higher revenue allocations for the small business classes when supported by appropriate cost of service metrics and principles of rate gradualism. Third, Columbia appears to have overlooked controlling precedent set forth by the Commonwealth Court in the *Lloyd*<sup>2</sup> decision:

However, while permitted, gradualism is but one of many factors to be considered and weighed by the Commission in determining rate designs, and principles of gradualism cannot

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<sup>1</sup> This sub-header is in response to Columbia's sub-header titled "b. Other Parties' Revenue Allocation Proposals" that appears on page 143 of Columbia's Main Brief.

<sup>2</sup> *Lloyd v. Pennsylvania Public Utility Commission*, 904 A.2d 1010 (Pa. Cmwlth. 2006), *appeal denied*, 591 Pa. 676 (2007).

be allowed to trump all other valid ratemaking concerns and do not justify allowing one class of customers to subsidize the cost of service for another class of customers over an extended period of time.

\* \* \*

[I]n effect, the Commission has determined that the principle of gradualism trumps all other ratemaking concerns - especially the polestar - cost of providing service.

Simply put, the Commonwealth Court in *Lloyd* ruled that the purpose of ratemaking is to move customer classes closer to their respective cost of service. This has been the consistent guiding standard for the OSBA's approach to revenue allocation.

Fourth, as set forth in the OSBA's Main Brief, Columbia's proposed revenue allocation makes minimal progress towards cost-of-service for the Company's residential and small business customer classes. Because Columbia's anemic revenue allocation fails to follow the requirements of *Lloyd*, those customer classes will continue to subsidize the large LDF/LGSS class.<sup>3</sup>

Therefore, as proposed by OSBA witness Mark D. Ewen, the OSBA revenue allocation moves the residential and small business classes closer to their cost of service. This allows for a larger increase for the LDS/LGSS class, which is significantly under-recovering its cost of service.<sup>4</sup>

## 2. OCA<sup>5</sup>

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<sup>3</sup> OSBA Statement No. 1-R, at 2.

<sup>4</sup> OSBA Statement No. 1-R, at 2-3.

<sup>5</sup> This sub-header is in response to the OCA's sub-header titled "2. The revenue allocation selected by the Commission should move customer classes overpaying their

The OCA's proposed revenue allocation also assigned a larger increase for the LDS/LGSS class. Specifically, the OCA proposes to aggressively assign greater increases to the SGSS/DS-1, SGSS/DS-2, and SDS/LGSS while providing significant relief to the residential class. As OCA witness Jerome Mierzwa explained, "I adjusted the increase assigned to the RSS/RDS, SGSS/DS-1, SGSS/DS-2, and SDS/LGSS classes to essentially equalize the relative rate of return under proposed rates for each of those four classes."<sup>6</sup>

As set forth in the OSBA's Main Brief, the OSBA respectfully disagrees that equalizing relative rates of return is an appropriate goal for this, or any other, rate proceeding. Instead, the OCA argued, as follows:

The OSBA's [revenue allocation] recommendation is less reasonable because it roughly equalizes the movement towards cost-based rates for the four identified rate classes.

OCA Main Brief, at 187.

The OSBA respectfully submits that moving Columbia's customer classes towards their respective cost of service, in an equal manner, is the only just and reasonable way to accomplish that task. The OCA's approach makes a number of classes worse off relative to their respective cost of service.

Finally, as set forth in the OSBA's Main Brief, the OCA revenue allocation proposal results in increases to the small business customers of Columbia on the order of

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indicated cost of service to the same RROR instead of moving them towards their cost of service by the same amount." that appears on page 186 of the OCA's Main Brief.

<sup>6</sup> OCA Statement No. 4, at 12.

1.26 to 1.30 times the system average increase. These small business customer classes, as set forth in Columbia's cost of service study, are already over-recovering their respective cost of service.<sup>7</sup> Moving Columbia's small businesses even further from their respective cost of service violates the requirements of *Lloyd* and Section 1301 of the Public Utility Code.

C. Rate Design / Tariff Structure<sup>8</sup>

In its Main Brief, Columbia argues about increasing the customer charge for an SGS1 customer, using less than or equal to 644Dth/year, to \$39.00.<sup>9</sup> However, according to the calculations cited by Columbia in its Main Brief, the customer charge should be set at \$33.13 (assuming Columbia received the full \$110.5 revenue increase). The current customer charge for an SGS1 customer is \$33.00.<sup>10</sup>

Also in Columbia's Main Brief, the Company argues about increasing the customer charge for an SGS2 customer to \$75.00. Once again, according to the calculations cited by Columbia in its Main Brief, the customer charge for an SGS2 customer, using more than 644Dth/year, should be set at \$66.12 (again assuming Columbia received the Company receiving the full \$110.5 million revenue increase). The current customer charge for an SGS2 customer is \$63.00.<sup>11</sup>

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<sup>7</sup> OSBA Statement No. 1-S, at 3.

<sup>8</sup> This sub-header is in response to the Columbia sub-header "2. Small C&I Customer Rate Design" that appears on page 151 of Columbia's Main Brief.

<sup>9</sup> Columbia Main Brief, at 151-152.

<sup>10</sup> Columbia Main Brief, at 151-152.

<sup>11</sup> Columbia Main Brief, at 152.

As set forth in the OSBA's Main Brief, if the Commission awards Columbia a revenue increase of less than \$110.5 million, the OSBA recommends that the SGS1 customer charge remain at \$33.00, and that the SGS2 customer charge be proportionally scaled back from \$66.12. Those customer charges are based upon *Columbia's own calculations*.

D. Summary and Alternatives

The OSBA accepts the use of the P&A COSS methodology for purposes of this proceeding.

The OSBA would not object if the Commission instead decided to consider the CD COSS methodology as a guide for cost allocation in this proceeding.

The OSBA recommends the use of its proposed revenue allocation, which moves the various customer classes closer to their respective cost of service while not moving Columbia's small business customers further away from their cost of service as the OCA revenue allocation does.

The OSBA recommends that, if the Commission awards Columbia a revenue increase less than \$110.5 million, the SGS1 customer charge remain at \$33.00, and that the SGS2 customer charge be proportionally scaled back from \$66.12.

Finally, any revenue allocation adopted by the Commission should be proportionally scaled back to allocate the final revenue increases to the Company's customer classes, consistent with prior practice.

**XI. ALTERNATIVE RATEMAKING**

A. Weather Normalization Adjustment

The OSBA is not briefing this issue.

B. Revenue Normalization Adjustment

This section was addressed in the OSBA's Main Brief. The OSBA has no further arguments to set forth in this Reply Brief.

**XII. CUSTOMER SERVICE / QUALITY OF SERVICE**

The OSBA is not briefing this issue.

**XIII. UNIVERSAL SERVICE PROGRAMS**

The OSBA is not briefing this issue.

**XIV. ENERGY EFFICIENCY PROGRAM**

This section was addressed in the OSBA's Main Brief. The OSBA has no further arguments to set forth in this Reply Brief.

**XV. COMPETITIVE SUPPLY ISSUES**

The OSBA is not briefing this issue.

**XVI. TARIFF ISSUES (NOT BRIEFED ABOVE)**

A. Rate EDDS

The OSBA is not briefing this issue.

B. Eligible Customer List

The OSBA is not briefing this issue.

**XVII. MISCELLANEOUS ISSUES**

The OSBA is not briefing this issue.

## **XVIII. CONCLUSION**

Therefore, as set forth in the OSBA's Main Brief and argued in this Reply Brief, the OSBA respectfully requests that the ALJ's and the Commission:

- Reduce Columbia's requested Return on Equity of 11.35% as argued by I&E and the OCA.
- If the ALJ's and the Commission approve the Peak & Average cost of service study methodology in this proceeding, adopt the OSBA's proposed revenue allocation which moves Columbia's customer classes closer to their cost of service and does not impermissibly move Columbia's small business customers further away from their cost of service as recommended by the OCA revenue allocation proposal.
- Scale back the OSBA's proposed revenue allocation to allocate the final revenue increases to Columbia's customer classes.
- If the ALJ's and the Commission provide Columbia with a revenue increase of less than \$110.5 million, set the SGS1 customer charge to remain at \$33.00, and set the SGS2 customer charge at a proportionally scaled back level from \$66.12.
- Deny Columbia's request for an RNA.
- Implement Columbia's proposed Energy Efficiency Plan for the Company's small business customers.

- Require Columbia to implement the suggestions of OSBA witness Mark D. Ewen, as set forth above, to provide additional details for Columbia's Energy Efficiency Plan.

Respectfully submitted,

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