



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

BUREAU OF
INVESTIGATION
&
ENFORCEMENT

September 5, 2025

Via Electronic Filing

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
I&E Reply Brief

Dear Secretary Homsher:

Enclosed for electronic filing please find the Reply Brief of the Bureau of Investigation and Enforcement in the above-captioned proceeding.

Copies are being served on parties per the attached Certificate of Service. Should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads 'Scott B. Granger'.

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SBG/nb
Enclosures

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

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I. INTRODUCTION

A. Description of Company

See the Main Briefs of the parties.

B. Procedural History

The history of this proceeding was addressed in the Commission’s Bureau of Investigation and Enforcement’s (“I&E”) Main Brief (“I&E MB”), filed on August 26, 2025, and in the main briefs submitted by the various parties. The parties to this base rate proceeding are Columbia Gas, I&E; the Office of Consumer Advocate (“OCA”); the Office of Small Business Advocate (“OSBA”); the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”); the Pennsylvania Weatherization Providers Task Force (“PWPTF”), and The Pennsylvania State University (“Penn State” or “PSU”).

I&E now submits this I&E Reply Brief (“I&E RB”) in reply to the main briefs of Columbia (“Columbia MB”), OCA (“OCA MB”), OSBA (“OSBA MB”), CAUSE-PA (“CAUSE MB”), PSU (“PSU MB”) and the PWPTF (“PWPTF MB”); and, in support of the arguments and recommendations made by the I&E witnesses, the record evidence presented, and I&E’s Main Brief. Overall, the arguments made in the parties’ main briefs have been raised consistently throughout the litigation process and have already been addressed in I&E’s direct, rebuttal and surrebuttal testimony, as well as in I&E’s Main Brief. This I&E RB will enhance I&E’s ongoing arguments as necessary.

C. Burden of Proof

I&E fully addressed the applicable burden of proof in its Main Brief.¹

I&E reiterates that Columbia Gas has failed to meet its burden and therefore I&E respectfully requests that the Administrative Law Judges and the Commission adopt the adjustments and the overall revenue requirement set forth in the voluminous record evidence presented by I&E as summarized in I&E's Main Brief and the attachments thereto.

II. SUMMARY OF ARGUMENT

Reiterating the summary of its arguments from I&E's Main Brief, I&E continues to assert that Columbia Gas failed to present substantial credible record evidence to support its request for a \$110.5 million revenue requirement increase. Further, based upon I&E's direct, rebuttal and surrebuttal testimony and the supporting exhibits, the substantial record evidence supports I&E's total recommended revenue requirement for the Company is \$996,415,410. This recommended revenue requirement represents an increase of \$78,643,542 to the Company's claimed present rate revenues of \$917,771,868.

RATE BASE

Rate base, also known as measure of value, is the depreciated original cost of a utility's investment in plant a utility has in place to serve customers plus other additions and deductions that the Commission determines to be necessary in order to keep the utility operating and providing safe and reliable service to its customers.

¹ See I&E MB, pp. 4-5.

I&E finds that \$356,242,461 (\$3,845,381,715 - \$3,489,139,254) of rate base additions are associated with the FPPTY.

REVENUES

The revenue requirement formula used in base rate cases is $RR = E + D + T + (RB \times ROR)$. Columbia has filed nine base rate cases in a span of twelve years requesting a cumulative total additional revenue increase of \$717.35 million. I&E recommends the Commission consider the impact any rate increase will have on Columbia's customers given the recent history of the many rate increases.

I&E recommends the Commission disallow in its entirety the inclusion of the requested regulatory asset to defer and amortize the non-depreciable loss on the sale of the Blackhawk Storage Facility of \$5,031,739 and the expenses for the feasibility study of \$389,005, for a total of \$5,420,743 to be amortized over five years.

DEPRECIATION EXPENSE

I&E did not present any record evidence or make any recommendations regarding depreciation expense.

O&M EXPENSES

I&E recommends a rate case expense allowance of \$731,372 or a reduction of \$589,628 (\$1,321,000 - \$589,628) to be normalized over 16-months for rate making purposes.

I&E recommends an allowance of \$7,754,135 for other employee benefits expense, or a reduction of \$1,161,324 (\$8,915,459 - \$7,754,135) to the Company's claim.

I&E recommends an allowance for other rents and leases equal to the supported HTY actual expense of \$475,203.

I&E recommends complete disallowance of the \$4,528,579 claim for NiSource Corporate Services Company allocated stock awards expense.

I&E recommends an allowance of \$326,469 for interest on customer deposits.

I&E continues to recommend that based on the settlement agreement mentioned above, the Company should include a lead/lag study in its first base rate case to be filed on or after January 1, 2026.

I&E recommends the Commission reject the Company's proposal to move EAT labor cost recovery from base rates to the USP rider.

TAXES

I&E did not propose any adjustments for taxes in this proceeding.

RATE OF RETURN

I&E recommends the following rate of return for the Company:

I&E Recommendation Columbia Gas of Pennsylvania, Inc. Summary of Cost of Capital			
Type of Capital	Ratio	Cost Rate	Weighted Cost Rate
Long-Term Debt	43.28%	5.22%	2.26%
Short-Term Debt	2.32%	5.00%	0.12%
Common Equity	54.40%	10.51%	5.72%
Total	<u>100.00%</u>		<u>8.10%</u>

Regarding proxy groups, I&E recommends that the Commission consider only the gas distribution utilities group meeting the criteria set forth by I&E when evaluating Columbia's requested return on equity (ROE) in this proceeding.

I&E reiterates that the percentage of revenues is an appropriate criterion in selection of the proxy group companies and recommends that Southwest Gas Holdings, Inc. should not be included in the proxy group because it derives less than 50% of its revenue from its regulated gas operation revenues.

I&E recommends using the Company's claimed capital structure as it falls within the range of the I&E proxy group's 2024 capital structures, which is the most recent information available at the time of I&E's analysis.

I&E recommends using the Company's FPFTY claimed short-term debt cost rate of 5.00% and long-term debt cost rate of 5.22%.

I&E continues to recommend using the Discounted Cash Flow ("DCF") method as the primary method to determine the cost of common equity. The DCF method has the most wide-spread regulatory acceptance and I&E still recommends primary reliance on the DCF method due to the shortcomings associated with the CAPM method.

I&E recommends a cost of common equity of 10.51% for Columbia in this base rate proceeding.

I&E recommends that Commission not give the CAPM, ECAPM, and RP considerable weight, instead relying on the DCF results.

Columbia faces the same exposure to the variety of claimed risks and uncertainties as all the other companies in the proxy groups.

The cost of equity I&E recommends in this proceeding is adequately measured by I&E's proxy group and Columbia's equity rich capital structure adequately compensates for the risk differentials claimed by Columbia.

I&E recommends that any additional consideration or adjustments for the Company's claimed risk profile in determining the cost of equity for Columbia is/are unwarranted, unjustified, and unsupported.

I&E recommends that the "low end" DCF result, removed by Columbia witness Mr. Rea, is added back in to the Company's calculations for purposes of Commission review of the cost of common equity.

I&E recommends that the Company's proposed leverage adjustment be rejected in its entirety. The application of the Company's proposed leverage adjustment would serve only to manipulate the DCF's market-based methodology and would cause substantial harm to ratepayers through higher rates.

I&E recommends that the proposed flotation cost adder should be rejected in its entirety.

I&E recommends the Commission continue its historic practice of recognizing the 10-year Treasury Note as the superior measure for the risk-free rate, as long-term Treasury Bonds have substantial maturity risk associated with the market risk and the risk of unexpected inflation.

I&E recommends the Commission reject Columbia's use of a 7.00% market risk premium instead of the prospective risk premium of 6.83% in their CAPM analysis.

I&E recommends that the Company's proposal to use a CAPM size adjustment of 61-basis points (0.61%) be disallowed.

I&E recommends the Commission entirely reject Columbia's calculated ECAPM results of 11.18% without the flotation cost adjustment and 11.21% with the flotation cost adjustment.

I&E recommends that the Commission not award Columbia additional management performance basis points for doing what they are required to do by the Public Utility Code and Commission regulations in order to provide adequate, efficient, safe, and reasonable service. The twenty-five (25) basis points management performance adder would cost Columbia's ratepayers an additional \$7,253,514 annually.

I&E recommends the Company's proposed subjective and inflated DCF growth rate be summarily rejected.

I&E recommends that the Company should be afforded the opportunity to earn an overall rate of return of 8.10%. This recommended overall rate of return is comprised of a weighted average of a 2.26% rate of return on long-term debt, a 0.12% rate of return on short-term debt, and a 5.72% rate of return on common equity. I&E notes that I&E's recommended return on common equity of 10.51% is higher than the average return on equity of 9.73% of all gas utility rate cases decided/approved by state regulatory authorities in the first quarter of 2025.

RATE STRUCTURE AND RATE DESIGN

A utility's rate structure implements the Commission's approved revenue increase to determine how the overall increase will be allocated among the utility's various rate

classes. A properly designed rate structure will not unduly burden one class of ratepayers to the benefit of another.

I&E recommends the Commission order that Columbia's new rates become effective January 1, 2026 (the first day of the FPFTY) instead of December 18, 2025, to avoid any unreasonable and unjustified impact on ratepayers.

Columbia performed and provided three Allocated Cost of Service Studies in its initial filing. I&E recommends the Company use the peak and average methodology to allocate any potential revenue increases among Columbia customer classes; and that the Company continuing to show a separate customer class for flex rate customers.

Revenue allocation is described as the allocation of revenue responsibility between rate classes. The Company prepared two customer cost analyses. I&E recommends that the Company's customer cost analysis that does not include the cost of mains should be utilized in this proceeding; and, the Company's customer cost analysis that includes the cost of mains should not be considered.

Regarding rate design and customer charges, I&E relied on the Company's rate design recommendation and applied the customer cost analysis that does not include the cost of mains. I&E concluded that customer charges for the RS, RDS, and RC2 classes are too high. I&E recommends the customer charges for rate classes RS, RDS, and RC2 stay at the current rate of \$17.25.

I&E accepted the proposed customer charges for LDS class customers. I&E also accepted the proposed customer charges for SGS1, SGS2, and SDS/LGSS customers as the proposed charges are consistent with the applicable customer cost analysis.

If the Commission grants an increase less than the amount requested by the Company, then I&E recommends that all proposed increases to customer charges and usage rates be scaled back proportionately based on the Allocated Cost of Service Study (“ACOSS”) that is ultimately approved by the Commission.

ALTERNATIVE RATEMAKING

The Commission noted in its PECO WNA Order “it is a primary concern of the Commission that alternative ratemaking is, in some way, rooted in the cost of service.”

As is stated at 52 Pa. Code § 69.3301², “an alternative rate design methodology should reflect the sound application of cost-of-service principles, establish a rate structure that is just and reasonable, and consider customer impacts.”

I&E recommends that Columbia’s Weather Normalization Adjustment pilot program be allowed to expire and no permanent WNA be put in place.

If, in the alternative, the Commission decides to approve the WNA on a permanent basis, then I&E recommends three (3) modifications should be made to the WNA. First, the shoulder month of May should be removed from the WNA. Second, the time period used to determine normal Heating Degree Day HDDs be shortened to ten years. And third, the deadband should be increased to 5%.

I&E recommends that the Company’s proposal to implement a Revenue Normalization Adjustment be denied.

² 52 Pa. Code § 69.3301

CUSTOMER SERVICE/QUALITY OF SERVICE

Most of the customer service and quality of service issues were raised by the OCA and CAUSE-PA.

I&E recommends that the Commission not allow the Company's proposed annual budgeted expense claim of \$300,000 for the SAP program to be recovered from ratepayers' bills using the USP rider.

UNIVERSAL SERVICE PROGRAMS

Most of the universal service programs issues were raised by the OCA, CAUSE-PA, and PWPTF.

I&E recommends that no increase in the budgeted LIURP amount be approved in this proceeding. I&E reasoned that, while PWPTF's and CAUSE-PA's recommendations are well-intentioned, it is inappropriate to consider an increase in the LIURP budget in this base rate proceeding. "This complexity and the need for balance are best addressed in USECP proceedings."

I&E recommends that no increase to the Company's contribution to its Hardship Fund be approved in this proceeding. If an increase is ultimately approved in this proceeding, any increase to the Hardship Fund as proposed by the PWPFT should be funded by shareholders and not via mandatory ratepayer funding.

ENERGY EFFICIENCY PROGRAMS

Columbia's current residential Energy Efficiency Plan pilot was originally approved as part of the Company's 2022 base rate case at Docket No. R-2022-3031211

with a budget of \$4.0 million for the years 2023 to 2025 and is set to expire at the end of 2025 and Columbia is proposing a Phase II Three Year EEP.

I&E recommends that the Company's proposal for its Phase II EEP be disallowed in this base rate proceeding.

If, in the alternative Phase II is approved, then, in the interest of customer protection, I&E recommends the Commission put a maximum annual cap on the plan's total administration cost (exclusive of the incentives cost) at 20% of the annual total EEP cost with any excess administration costs to be refunded to customers through the rider.

COMPETITIVE SUPPLY ISSUES

I&E did not submit any record evidence nor make any recommendations regarding any competitive supply issues.

TARIFF ISSUES

I&E continues to recommend that Columbia's proposed Economic Development Distribution Service rate class be disallowed in its entirety. If, on the other hand, the Commission grants Columbia's request to implement the EDDS, then I&E urges the Commission to address the concerns raised by I&E, especially the allocation of costs.

MISCELLANEOUS AND PIPELINE SAFETY ISSUES

I&E Pipeline Safety highlighted the usefulness and safety benefits of methane detectors within structures and the ability of real-time smart reporting technology to simultaneously notify the customer and the emergency gas response officials to potentially hazardous situations. I&E recommends that the Company implement a pilot program utilizing SRMDs in a region where Columbia has risky pipe for the installation

of 500 to 1000 SRMDs to allow the Company to study the effectiveness of the SRMDs and monitor the related expenses.

CONCLUSION

Columbia Gas has not met its burden of proof as the record evidence presented by Columbia does not substantiate a revenue increase of \$110.5 million. Instead, based on the weight of the record evidence, the Commission should only grant Columbia the I&E recommended revenue increase of \$78,643,542. Further, the Commission should implement the recommendations set forth by I&E in its testimony, exhibits and main brief arguments.

III. I&E OVERALL POSITION ON RATE INCREASE REQUEST

As presented in I&E's Main Brief, I&E's total recommended revenue requirement for the Company is \$996,415,410.³ This recommended revenue requirement represents an increase of \$78,643,542 to the Company's claimed present rate revenues of \$917,771,868.⁴ This total recommended allowance incorporates I&E adjustments made in I&E direct, rebuttal and surrebuttal testimony to O&M expenses,⁵ and the recommended adjustments made in the direct and surrebuttal testimony of I&E witnesses DC Patel⁶ and Esyan Sakaya.⁷ Nothing in any of the other parties main briefs has caused I&E to change its overall position.

³ I&E MB, p. 15, *citing* I&E St. No. 1-SR, p.4.

⁴ *Id.*

⁵ *See* I&E St. No. 1; I&E St. No. 1-R; and I&E St. No. 1-SR.

⁶ *See* I&E St. No. 2; and I&E St. No. 2-SR.

⁷ *See* I&E St. No. 3; and I&E St. No. 3-SR.

IV. RATE BASE

I&E noted in its Main Brief that rate base, also known as measure of value, is the depreciated original cost of a utility's investment in plant a utility has in place to serve customers plus other additions and deductions that the Commission determines to be necessary in order to keep the utility operating and providing safe and reliable service to its customers. Rate base is one part of the financial equation used by the Commission to determine the appropriate revenue that a utility is granted in a rate proceeding.⁸ For utility plant to be included in rates, the plant must be used and useful in the provision of utility service to the customers. Therefore, by definition, only plant currently providing or capable of providing utility service to customers or plant projected to be completed and in service by the end of the FPFTY is eligible to be reflected in rates.

A. Fair Value

Responding to Columbia MB, Sections IV. A. pp. 14-15 and Section IV. C. 3. p. 23.

Both Columbia and I&E referenced Columbia's Exh. No. 108 regarding FTY and FPFTY plant additions.⁹ Therefore, I&E reiterates Columbia's claimed rate base for the end of the FPFTY (December 31, 2026) is \$3,845,381,715.¹⁰ Columbia's FTY rate base is \$3,489,139,254.¹¹ I&E finds that \$356,242,461 (\$3,845,381,715 - \$3,489,139,254) of rate base additions are associated with the FPFTY.¹²

⁸ I&E MB, p. 12.

⁹ See Columbia MB, pp. 14-16, 20-23; I&E MB, p. 15.

¹⁰ I&E St. No. 3, p. 3, *citing* Columbia Exh. No. 108, p. 3, col. 5.

¹¹ *Id.*, *citing* Columbia Exh. No. 108, p. 3, col. 3.

¹² *Id.* See also Columbia Exh. No. 108, Sch. 1.

B. FPFTY Reporting Requirements

I&E recommended and continues to recommend that the Company be required to provide I&E and OCA with an update to Columbia Exhibit No. 108, Schedule 1 no later than April 1, 2026.¹³ The Company agreed with I&E's recommendation; therefore, I&E's recommendation should be approved.¹⁴

V. REVENUE

A. Overall Revenue Requirement

As noted, the revenue requirement formula used in base rate cases is $RR = E + D + T + (RB \times ROR)$.¹⁵ Columbia has filed nine base rate cases in a span of twelve years requesting a cumulative total additional revenue increase of \$717.35 million.¹⁶ No other regulated utility in Pennsylvania has filed base rate cases as frequently as Columbia has in the last twelve years.¹⁷

I&E's total recommended revenue requirement for the Company is \$996,415,410.¹⁸ This recommended revenue requirement represents an increase of \$78,643,542 to the Company's claimed present rate revenues of \$917,771,868.¹⁹ Nothing in any of the other parties' main briefs has led I&E to change this position. I&E recommends the Commission consider the impact any rate increase will have on Columbia's customers given the recent history of the many rate increases.²⁰

¹³ I&E MB, pp. 16-17.

¹⁴ *Id.*

¹⁵ *See Id.*, pp. 17-18.

¹⁶ *Id.*, p. 18. I&E notes many of these cases settled or litigated resulting in a lesser rate increase than was requested.

¹⁷ *Id.*

¹⁸ I&E MB, p. 15, *citing* I&E St. No. 1-SR, p.4.

¹⁹ *Id.*

²⁰ *Id.*, pp. 18-19.

B. Blackhawk Storage Facility Sale – Requested Amortization

Responding to Columbia MB, Section VII. N., pp. 69-74.

I&E recommended the Commission disallow the inclusion of the requested regulatory asset in this case.²¹ Columbia challenged all of the reasons raised by I&E.²² Columbia noted that language appearing in the Commission's Application Order was actually language contained in Columbia's Application that was referenced by the Commission.²³ I&E, however, did correctly note this in its Main Brief giving Columbia full credit for its statements.²⁴ Finally, a full reading of Columbia's rebuttal of I&E's reasoning in Columbia's Main Brief reinforces the fact that there are issues that could not be properly vetted regarding the sale of Blackhawk and the request to include amortization of a regulatory asset in this current base rate proceeding due to its late addition.

I&E continues to recommend the Commission disallow the inclusion of the requested regulatory asset in this case.

VI. DEPRECIATION EXPENSE

As stated in I&E's Main Brief, I&E did not present any record evidence or make any recommendations regarding depreciation expense other than using the Company's as-filed depreciation expense in I&E's analysis of Columbia's base rate filing and in conjunction with all other I&E base rate calculations.²⁵

²¹ I&E MB, p. 20.

²² Columbia MB, pp. 69-74.

²³ *Id.*, pp. 71-72.

²⁴ *See* I&E MB, pp. 19-20.

²⁵ I&E MB, pp. 20-21.

VII. O&M EXPENSES

It is well settled that a utility is entitled to recover its reasonably and prudently incurred expenses.²⁶ Operating and maintenance expenses, if properly and prudently incurred, are allowed as part of the overall base rate computation. As such, a public utility is entitled to recover all reasonable and normal operating and maintenance expenses incurred by providing regulated service.²⁷ To the extent that expenses are not incurred, imprudently incurred, or abnormally overstated during the test year, they should be disallowed and found not recoverable through rates. The public utility requesting a rate increase and seeking to recover expenses has the burden of showing that the rate requested, including all claimed expenses, is just and reasonable.²⁸

A. Rate Case Expense

Responding to Columbia MB, Section VII.F., p. 54.

I&E recommended an allowance of \$731,372 or a reduction of \$589,628 (\$1,321,000 - \$589,628) to be normalized over 16-months for rate making purposes.²⁹

Columbia continued to argue it uses a twelve-month normalization period because Columbia anticipates the need to file annual rate cases for the foreseeable future.³⁰ Columbia also argued that I&E's over 26% reduction based on its last litigated case in 2020 is inappropriate.³¹ I&E disagrees.

²⁶ *UGI Corp. v. Pa. P.U.C.*, 410 A.2d 923, 932 (Pa. Commw. 1980).

²⁷ *Western Pennsylvania Water Company v. Pa. P.U.C.*, 422 A.2d 906 (Pa. Commw. 1980).

²⁸ 66 Pa. C.S. § 315(a); *See also Cup v. Pa. P.U.C.*, 556 A.2d 470 (Pa. Commw. 1989).

²⁹ I&E MB, pp. 23-24.

³⁰ Columbia MB, p. 54.

³¹ *Id.*, p. 55.

I&E reiterates the Company's response to I&E discovery provided the actual rate case expense incurred and claimed in recent cases with the last litigated rate case being in 2020.³² Columbia's response shows the most recent litigated case in 2020 resulted in the Company spending only 73.82% ($\$782,522 \div \$1,060,000$) of the total claim.³³ Regarding the normalization period, the Company's proposed normalization period fails to properly rely upon the historic data and is speculative in nature. Columbia's average historic filing frequency is 16 months ($((12 + 12 + 24) = 48 \div 3)$), which supports I&E's recommended normalization period.³⁴ The Company's rate case expense normalization of 12 months is speculative and is not supported by the historic filing frequency, and the Company is merely relying on its expectation of future base rate case filings.

Therefore, I&E continues to recommend an allowance of \$731,372 or a reduction of \$589,628 ($\$1,321,000 - \$589,628$) to be normalized over 16-months for rate making purposes.

B. Other Employee Benefits Expense

Responding to Columbia MB, Section VII.B., pp. 45-47.

I&E recommended an allowance of \$7,754,135 for other employee benefits expense, or a reduction of \$1,161,324 ($\$8,915,459 - \$7,754,135$) to the Company's claim.³⁵

Columbia argues it did not rely upon a ratio of historic expense to payroll to develop its Other Employee Benefits expense.³⁶ Instead, Columbia argues it relied upon

³² I&E MB, p. 22.

³³ *Id.*

³⁴ *Id.*

³⁵ I&E MB, p. 25.

³⁶ Columbia MB, pp. 46-47.

the advice of actuarial experts to project its expense.³⁷ These experts arguably developed a model to project costs that purportedly reflected the Company's labor base of 715 filled positions, projected increases to medical costs and Company-specific data.³⁸

However, it must be pointed out that Columbia has historically underspent benefits expense as compared to the budgeted expense³⁹ and the referenced expert's models do not change that. As such, a gap between budgeted amounts and actual expenses incurred would create an unjust and unreasonable burden on ratepayers if the Company's claim is allowed.⁴⁰

Finally, I&E accepts that other employee benefits may fluctuate over the years and asserts that I&E's recommendation does not contradict this premise.⁴¹ I&E continues to recommend an allowance of \$7,754,135 for other employee benefits expense, or a reduction of \$1,161,324 (\$8,915,459 - \$7,754,135) to the Company's claim.⁴²

C. Other Rents and Leases

No response in Columbia MB.

I&E recommends an allowance of \$475,203 for other rents and leases expense, or a reduction of \$70,437 (\$545,640 - \$475,203) to the Company's claim.⁴³ It appears that Columbia did not respond to I&E's recommendation in its Main Brief. Therefore, I&E

³⁷ *Id.*
³⁸ *Id.*
³⁹ I&E MB, pp. 24-25.
⁴⁰ *Id.*, p. 25.
⁴¹ *Id.*
⁴² *Id.*
⁴³ I&E MB, p. 25.

continues to recommend an allowance equal to the supported HTY actual expense of \$475,203.

D. Allocated Compensation – Stock Awards Expense

Responding to Columbia MB, Section VII.D., pp. 50-51.

I&E recommended complete disallowance of the \$4,528,579 claim for NCSC allocated stock awards expense.⁴⁴

The Company argues stock rewards are not based solely on financial metrics such as earnings or stock price.⁴⁵ Arguing further, the Company now includes customer value goals in determining the level of stock awards to be granted.⁴⁶ These goals include operational excellence, safety, employee engagement and environmental measures.⁴⁷

I&E believes these statements are gratuitous and continues to argue stock awards are a type of incentive compensation linked to financial goals and targets such as earnings per share.⁴⁸ These goals are specifically shareholder-oriented goals and not ratepayer-oriented goals and no portion of any employee's total cash compensation was at risk.⁴⁹ While there may be other requirements that are operational in nature, it is I&E's understanding is that the primary target is financial goals.⁵⁰ Allowing this claim in rates would result in higher rates and revenues at the expense of ratepayers, which would directly benefit the parent company's financial goals.

⁴⁴ I&E MB, p. 27.

⁴⁵ Columbia MB, p. 51.

⁴⁶ *Id.*

⁴⁷ *Id.*

⁴⁸ I&E MB, p. 27.

⁴⁹ *Id.*

⁵⁰ *Id.*

Columbia noted that that 75%-80% of goals are earnings per share and shareholder return-related.⁵¹ This only affirms I&E's concern that these awards, that are limited to certain top-level executives, are mainly of benefit to shareholders and should not be recovered from ratepayers.⁵² Therefore, I&E continues to recommend complete disallowance of the \$4,528,579 claim for NCSC allocated stock awards expense.

E. Interest On Customer Deposits

No response in Columbia MB.

I&E recommended an allowance of \$326,469 for interest on customer deposits.⁵³

Columbia did not present any arguments against I&E's recommendation.

Therefore, I&E's recommendation of an allowance of \$326,469 for interest on customer deposits should be approved.

F. Cash Working Capital

Responding to Columbia MB, Section IV.C., p. 21.

Columbia did not make a Cash Working Capital claim in this base rate case.⁵⁴ In Columbia's 2024 base rate proceeding Columbia agreed to perform a lead/lag study in its first base rate case filed after January 1, 2026, as agreed in the 2024 settlement at Docket No. R-2024-3046519.⁵⁵

⁵¹ I&E MB, p. 27.

⁵² *Id.*

⁵³ I&E MB, p. 28.

⁵⁴ Columbia MB, p. 21.

⁵⁵ See I&E St. No. 1, pp. 20-22. See also I&E Exh. No. 1, Sch. 6, p. 1.

I&E continues to recommend that based on the settlement agreement mentioned above, the Company should include a lead/lag study in its first base rate case to be filed on or after January 1, 2026.⁵⁶

G. Energy Assistance Team (EAT)

Responding to Columbia MB, Section VII.M., pp. 66-69.

I&E recommended the Commission reject the Company's proposal to move EAT labor cost recovery from base rates to the USP rider.⁵⁷

In its Main Brief, the Company only argues against the OCA's proposal that the EAT costs should be disallowed in their entirety.⁵⁸ I&E, however, did not argue that they should be disallowed entirely. I&E only argued that they should not be moved from base rates to the Rider USP.⁵⁹ I&E argued, first, moving EAT cost recovery from base rates to USP rider provides Columbia a guaranteed recovery of EAT labor costs and eliminates the Commission's authority to review reasonableness and prudence of EAT labor costs.⁶⁰ Second, I&E disagreed with the Company's claim that shifting EAT cost recovery through the USP rider will permit the Company to appropriately staff for fluctuating demands for additional staffing.⁶¹ Fluctuation in staffing needs is a routine event in business operations for the Company at large for various reasons, which is required to be managed appropriately as the staffing need changes.⁶² Additionally, keeping all staffing

⁵⁶ I&E MB, p. 29.

⁵⁷ I&E MB, p. 30.

⁵⁸ Columbia MB, pp. 66-69.

⁵⁹ See I&E MB, pp. 29-30.

⁶⁰ *Id.*, p. 30.

⁶¹ *Id.*

⁶² *Id.*

costs under O&M ensures no duplicate recovery of related costs in base rate proceedings.⁶³ Theoretically, if this request is approved, the Company could add or remove employees without scrutiny.⁶⁴

Therefore, I&E continues to recommend the Commission reject the Company's proposal to move EAT labor cost recovery from base rates to the USP rider.

VIII. TAXES

A. Tax Adjustments

Responding to Columbia MB, Section VIII.A., p. 74.

I&E did not propose any adjustments for taxes in this proceeding. To the extent Taxes Other Than Income Taxes will be affected by the Blackhawk transaction, if the impact of the Blackhawk transaction is moved to the next base rate case, then this tax issue can be addressed at that time.⁶⁵

IX. RATE OF RETURN

A. Introduction - Rate of Return Standards

Responding to Columbia MB, Section IX.A., pp. 74-80.

The Company's requested return on equity and its requested overall rate of return is unjustifiably high and is not supported by a properly applied discounted cash flow method. Though I&E continues to recommend using the Company's claimed capital

⁶³ *Id.*

⁶⁴ *Id.*

⁶⁵ *See Columbia MB, p. 74.*

structure and FPFTY debt cost rate,⁶⁶ I&E recommends the following rate of return for the Company:⁶⁷

I&E Recommendation Columbia Gas of Pennsylvania, Inc. Summary of Cost of Capital			
Type of Capital	Ratio	Cost Rate	Weighted Cost Rate
Long-Term Debt	43.28%	5.22%	2.26%
Short-Term Debt	2.32%	5.00%	0.12%
Common Equity	<u>54.40%</u>	10.51%	<u>5.72%</u>
Total	<u>100.00%</u>		<u>8.10%</u>

The Commission has the authority to determine the fair revenue requirement and rate of return, which the utility has the *opportunity* to earn, but not a guarantee to earn.⁶⁸ Per the standards established by the Supreme Court in *Bluefield* and *Hope*⁶⁹, as well as procedure and precedent consistently followed by the Commission, a fair and reasonable overall rate of return is one that will allow the utility an opportunity to recover those costs prudently incurred by all classes of capital used to finance the rate base during the prospective period in which its rates will be in effect.⁷⁰

B. Proxy Group

Responding to Columbia MB, Section IX.D.1.a. pp. 89-93.

I&E continues to recommend that the Commission consider only the proxy group utilized by I&E witness D.C. Patel, as this group best represents the risk profile of

⁶⁶ See I&E MB pp 37-38.

⁶⁷ *Id.* p. 31.

⁶⁸ *Id.* p. 32.

⁶⁹ *Id.* p. 32-33.

⁷⁰ *Id.* p. 32-34.

Columbia.⁷¹ Though Columbia witness Mr. Rea asserted consolidated income more closely correlates to the net cash flow of a company than company revenues, the Commission has previously rejected this theory, and I&E recommends the Commission continue to do so in this case.⁷² In doing so, I&E recommends the Commission consider only the gas distribution utilities group, and exclude Southwest Gas Holdings, Inc. from the proxy group because it derives less than 50% of its revenue from its regulated gas operation revenues.⁷³

C. Capital Structure

Responding to Columbia MB, Section IX.B. pp. 80-85.

I&E continues to recommend using the Company's claimed capital structure as it falls within the range of the I&E proxy group's 2024 capital structures, which is the most recent information available at the time of I&E's analysis.⁷⁴

D. Cost of Short-Term and Long-Term Debt

Responding to Columbia MB, Section IX.C. pp. 85-86.

I&E also continues to recommend using the Company's FPFTY claimed short-term debt cost rate of 5.00% and long-term debt cost rate of 5.22%.⁷⁵

E. Cost of Common Equity

Responding to Columbia MB, Section IX.D.1. and 2., pp. 86-121.

I&E continues to recommend using the DCF method as the primary method to

⁷¹ *Id.* p. 34-35.

⁷² *Id.*

⁷³ *Id.*

⁷⁴ I&E MB, p. 37.

⁷⁵ *Id.* p. 37-38.

determine the cost of common equity due to widespread regulatory acceptance and reliability.⁷⁶ Though the Company asserts that the use of a single methodology is flawed, Company witness Mr. Rea ultimately concluded that the DCF evaluation performed by I&E witness Mr. Patel as largely consistent with investor expectations in the current market, while arguing the cost of equity result is understated.⁷⁷ I&E's arguments for relying on the DCF have been presented in full,⁷⁸ and while other methods may have some use on a comparative basis, I&E continues to recommend that the DCF be the primary method in this case, and that the cost of common equity in this matter should be 10.51%.⁷⁹

F. Weights Given to CAPM, ECAPM. And RP Methods

Responding to Columbia MB, Section IX.D., pp. 86-113.

For the reasons cited above and in its main brief, I&E continues to oppose giving the CAPM, ECAPM, and RP models considerable weight in this proceeding.⁸⁰ The Company essentially argues for the use of multiple methodologies and recommends taking the middle result of the expanded range influenced by the methodologies other than the DCF.⁸¹ Though the Company argues the use of a single methodology is flawed, I&E would assert that to the extent the additional models are less reliable than the

⁷⁶ *Id.* p. 38-40.

⁷⁷ *See* Columbia MB, p. 114.

⁷⁸ *See* I&E MB pp. 39-42

⁷⁹ *Id.*, p. 40.

⁸⁰ *Id.*, p. 47.

⁸¹ *See* Columbia MB pp. 88-89.

DCF,⁸² the dilution of the results through these additional, less reliable methods would likewise be flawed.

G. Risk Analysis

Responding to Columbia MB, Section IX.D.1.d. pp. 111-113.

As previously argued by I&E, the risks referenced by Columbia affect the entire gas utility industry, therefore, Columbia faces the same exposure to these risks and uncertainties as all the other companies in the proxy groups.⁸³ As the analysis based on I&E's proxy group appropriately measures the cost of equity, I&E continues to recommend that any adjustments, adders or other proposed considerations by the Company to adjust their risk profile be rejected.⁸⁴

H. Elimination of "Low-End" DCF Results

Responding to Columbia MB, Section IX.D.1.b., pp. 93-106.

I&E continues to recommend that the "low-end" DCF result that the Company excluded from their analysis be added back to the Company's calculations, as this removal was an inappropriate subjective decision which introduces potential bias to what should be an objective analysis.⁸⁵

I. Leverage Adjustment

Responding to Columbia MB, Section IX.D.1.b., pp. 93-111.

I&E continues to recommend that the Company's proposed 64-basis point (0.64%) leverage adjustment be rejected. While the decision to grant a leverage adjustment is

⁸² See I&E MB pp. 39-42.

⁸³ *Id.*, p. 42-43.

⁸⁴ *Id.*

⁸⁵ *Id.*, p. 43-44.

within the Commission's discretion, I&E continues to argue that Company witness Mr. Rea is incorrect in his assertion that equity investors are predominately concerned with a firm's market value capital structure.⁸⁶ Rather, as argued by I&E witness Patel, rating agencies utilize a company's financial statements, not market value capital structure, making the book value capital structure a sufficiently reliable indicator of risk.⁸⁷ While the Company cites to some cases (though none more recent than 2012) where leverage adjustments were granted,⁸⁸ I&E cited to numerous more recent cases where such adjustments were rejected consistent with I&E recommendations.⁸⁹ Though the Company attempts to distinguish the numerous previous cases where this adjustment was rejected,⁹⁰ the adjustment is nonetheless unwarranted in this case, as it is based on a flawed interpretation of financial risk analysis and would force the ratepayers to fund an additional \$18,568,996 annually to cover the increase of this proposed inflated rate of return.⁹¹ Therefore, I&E recommends that the Company's proposed leverage adjustment be rejected in its entirety.

J. Flotation Cost Adjustment

Responding to Columbia MB, Section IX.D.1., pp. 86-111.

I&E continues to recommend that the Company's proposed 3 basis point (0.03%) adder to adjust for flotation cost be rejected. The Company has presented no evidence that its parent company NiSource will issue new stocks during the FPFTY when the new

⁸⁶ See Columbia MB p. 97.

⁸⁷ See I&E MB pp. 44-45.

⁸⁸ See Columbia MB p. 99.

⁸⁹ See I&E MB pp. 45-46.

⁹⁰ See Columbia MB pp. 99-102.

⁹¹ See I&E MB p. 46.

rates will be effective, and flotation costs are accounted for on the books of the issuer company.⁹² I&E continues to recommend that the Commission not allow retroactive ratemaking by including such an allowance to recover historic flotation costs, which would also require ratepayers to fund an additional \$870,421 annually.⁹³

K. Risk Free Rate of Return

Responding to Columbia MB, Section IX.D.2., pp. 113-121.

I&E continues to recommend that the Commission continue to recognize the 10-year Treasury Note as the superior measure for the risk-free rate. I&E maintains that the 10-year Treasury Note is more appropriate to balance the short-term volatility risk and the long-term inflation risk.⁹⁴

L. CAPM Market Risk Premium

Responding to Columbia MB, Section IX.D.1.c., pp. 106-113.

I&E continues to recommend rejection of the Company's proposed use of a 7.00% market risk premium in their CAPM analysis results rather than the prospective risk premium of 6.83%.⁹⁵ Though I&E recommends rejection of this proposal due to an inappropriate comingling of prospective and historic risk premiums,⁹⁶ the arguments made by all parties regarding the appropriate inputs to the CAPM analysis only highlights the more subjective nature of the analysis and the considerably wider range of outputs that can result.⁹⁷ This subjectivity and resulting inconsistency is one of the many reasons

⁹² *Id.*, p. 47.

⁹³ *Id.*

⁹⁴ *Id.*, p. 48.

⁹⁵ *Id.*, p. 48-50.

⁹⁶ *Id.*

⁹⁷ *See* I&E MB pp. 48-50; Columbia MB pp. 106-113.

I&E argues to use the DCF as the primary model of cost of equity analysis, with the CAPM used only as a comparison.⁹⁸

M. Size Premium Adjustment to CAPM

Responding to Columbia MB, Section IX.D.1.c., pp. 106-113.

I&E continues to recommend that the Company's proposal to use a CAPM size adjustment of 61-basis points (0.61%) be disallowed, as studies cited by the Company are not specific to the utility industry, which, as argued by I&E witness Patel, is significant due to factors specific to the regulated utility industry such as reduced competition and regulatory ratemaking mechanisms.⁹⁹ As previously argued, I&E recommends disallowance of this adjustment due to a lack of industry specific supporting evidence and prior Commission precedent, which would also prevent the ratepayers from funding an additional \$17,698,574 annually to cover this adjustment.¹⁰⁰

N. ECAPM

Responding to Columbia MB, Section IX.D.1.c., pp. 106-113.

I&E continues to recommend rejection of the Company's proposed ECAPM results for any final analysis in this matter. As previously argued, the ECAPM is even more subjective and unreliable due to reducing the purpose of the beta, which is the only company-specific variable in the CAPM model.¹⁰¹ I&E thus recommends rejection of

⁹⁸ See I&E MB pp. 49-50.

⁹⁹ See I&E MB pp. 50-51.

¹⁰⁰ *Id.*

¹⁰¹ *Id.*, p. 52.

this model and continued reliance on the DCF as the primary method for cost of equity calculations.¹⁰²

O. Management Performance

Responding to Columbia MB, Section IX.D.3., pp. 122-132.

I&E continues to recommend rejection of the Company's proposed upward adjustment of 25 basis points (0.25%) to the cost of equity results based on the Company's management performance.¹⁰³ Though the Company cites to commendable improvements in their treatment of low income customers as well as efforts made to investigate and improve previous problematic areas such as call centers, I&E asserts that many of these examples would fall within the categories of reliability, customer satisfaction, and safety which are required of every public utility company under 66 Pa. C.S.A. § 1501.¹⁰⁴ While the Company is able to cite to efforts to improve their system and their treatment of vulnerable customers, these same customers have encountered dramatically increased rates due to the almost annual rate cases filed by the Company since 2014¹⁰⁵. I&E thus continues to recommend rejection of such an adjustment, particularly as the additional cost to ratepayers of roughly \$7,253,514 would be inconsistent with the cited efforts to aid low-income customers.¹⁰⁶

¹⁰²

Id.

¹⁰³

See I&E MB pp. 53-55.

¹⁰⁴

Id.

¹⁰⁵

Id.

¹⁰⁶

Id.

P. Inflated Growth Rate

Responding to Columbia MB, Section IX.D.1.b., pp. 93-106.

I&E continues to recommend that the Company's assertion that DCF growth rates can be determined subjectively and inflated be rejected, and that the Commission recognize the average growth rate of the Company's sources is 7.13%, making the Company's DCF growth rate of 7.50% arbitrary and inaccurate.¹⁰⁷

As previously argued, the Company's rationale for choosing 7.50% is flawed, as they are accounting for the same factors twice, and the reliability of the DCF is due in part to its objective, mathematical formulation.¹⁰⁸ A proposed inflated alternative as proposed by the Company is subjective as well as potentially biased, and thus should be summarily rejected.¹⁰⁹

Q. Conclusion - Overall Rate of Return

In consideration of the above and the record evidence presented, I&E continues to recommend that the Company should be afforded the opportunity to earn an overall rate of return of 8.10%.¹¹⁰ This recommended overall rate of return is comprised of a weighted average of a 2.26% rate of return on long-term debt, a 0.12% rate of return on short-term debt, and a 5.72% rate of return on common equity.¹¹¹ I&E notes that its recommended return on common equity of 10.51% is higher than the average return on equity of 9.73% of all gas utility rate cases decided/approved by state regulatory

¹⁰⁷ See I&E MB pp. 55-57.

¹⁰⁸ *Id.*

¹⁰⁹ *Id.*

¹¹⁰ *Id.*, p. 56-57.

¹¹¹ *Id.*

authorities in the first quarter of 2025.¹¹² Additionally, the average of equity ratios authorized for gas utilities was 52.13% in 2024, while Columbia is claiming a higher equity ratio of 54.40%.¹¹³

X. RATE STRUCTURE AND RATE DESIGN

Responding to Columbia MB, Section X.A., pp. 132-143.

A utility's rate structure addresses how the overall Commission's approved revenue increase will be allocated among the utility's various rate classes. Once a class revenue allocation is determined, development of a rate design will address how the tariffed rates and rate elements will generate the allocated revenues. A properly designed rate structure will not unduly burden one class of ratepayers to the benefit of another. Generally, "public utility rates should enable the utility to recover its cost of providing service and should allocate this cost among the utility's customers in a just, reasonable and nondiscriminatory manner."¹¹⁴

A. Effective Date of New Rates

Responding to Columbia MB, Section XVII.A., pp. 234-237.

I&E recommended the Commission order that Columbia's new rates become effective January 1, 2026 (the first day of the FPFTY) instead of December 18, 2025, to avoid any unreasonable and unjustified impact on ratepayers.¹¹⁵

Columbia argues that the statutory language and case law discussing the time limits for the Commission to issue an Order in a Section 1308 proceeding applies to the

¹¹² *Id.*

¹¹³ *Id.*

¹¹⁴ *See generally Pa. P.U.C. v. West Penn Power*, 73 Pa. P.U.C. 454, 510, 199 PUR 4th 110 (1990).

¹¹⁵ I&E MB, pp. 58-59.

effective date of new rates.¹¹⁶ I&E argues that this is a misapplication of the Public Utility Code and the case law.

The time limit placed on the Commission’s duty to make a final decision and issue an order is not controlling on when the new rates should go into effect because that time limit has nothing to do with the broader investigation into what the new rates should be under the application of the chosen Fully Projected Future Test Year.¹¹⁷ A final Commission Order approving the new rates and the filing of the new tariff must logically occur before the new rates can become effective. A new tariff can be filed on December 19, 2025 with rates to become effective January 1, 2026. The timeline in the statute simply places a burden on the Commission to act or the total proposed new rates will take effect. Neither the applicable statutes nor the case law anticipates or discusses the scenario where a company attempts to add 14 or more days to the beginning date of new rates prior to the beginning date of the FPFTY.

Cleverly, Columbia argues that it “used a FPFTY that is the twelve-months beginning January 1, 2026, which is the twelve-month period beginning with the first month that the new rates will be placed in effect *after* application of the full suspension period, as directed in Section 315 of the Public Utility Code.”¹¹⁸ But this highlights the issue and undercuts Columbia’s argument. The “first month” *after* the application of the suspension period is, as Columbia correctly notes, January not December. The suspension period sets the timeline for the Commission to act; it does not dictate the date

¹¹⁶ Columbia MB, pp. 237.

¹¹⁷ I&E MB, pp. 58-59.

¹¹⁸ Columbia MB, pp. 236-237.

new rates will take effect. As Section 315 clearly states, new rates will take effect the first month *after* the application of the full suspension period. And logic dictates that the new rates will take effect on the first day of that first month which is the first day of the FPFTY. It stands to reason that it would be unjust and unreasonable for the Commission to allow Columbia to make new rates effective on December 19, 2025 because the ratemaking calculations or claims in this base rate filing are based on projected changes that will occur in the FPFTY (January 1, 2026 through December 31, 2026).¹¹⁹ The higher new rates should not be made applicable during the 14-day period of period December 19, 2025 through December 31, 2025 as that period is not supported by Columbia's FPFTY ratemaking calculations.¹²⁰

Further, the *Bell* opinion¹²¹ cited by Columbia notes that “in the absence of a final order of the Commission” the proposed increase will take effect.¹²² But the *Bell* court is also conflating the issue. *Bell* is weighing the mandate that the Commission act against the failure of the Commission to act. That will not be the case here. Here, the Commission will act, and the effective date of new rates must be controlled by the FPFTY because the record evidence that was presented to support the new rates was specifically for the FPFTY.

Finally, if Columbia is permitted to charge new rates effective on December 19, 2025 instead of January 1, 2026, then, for example, at the full revenue increase request of \$110,496,797, the Company would recover a minimum unsupported and unreasonable

¹¹⁹ I&E MB, pp. 58-59.

¹²⁰ *Id.*, p. 59.

¹²¹ *Bell Telephone Co. v. Pa PUC*, 452 A. 2d 86 (Pa. Cmwlth 1982).

¹²² Columbia MB, p. 236.

additional revenue increase of \$4,238,233 ($\$110,496,797 \div 365$) x 14) for that 14-day period from ratepayers.¹²³

Therefore, I&E continues to recommend that the Commission order that Columbia's new rates become effective January 1, 2026 (the first day of the FPFTY) instead of December 19, 2025, to avoid any unreasonable and unjustified impact on ratepayers.

B. Allocated Cost of Service

Responding to Columbia MB, Section X.A., pp. 133-140.

I&E recommended the Company use the peak and average methodology to allocate any potential revenue increases among Columbia customer classes; and that the Company continue to show a separate customer class for flex rate customers.¹²⁴

While Columbia reasoned that no one ACOS study is the "right" study and submits that the results of these two studies (Customer-Demand and Peak & Average) provide a reasonable range of returns for use as a guide in establishing appropriate rates.¹²⁵ The Company primarily used the Peak & Average Study to guide its revenue allocation and rate design process.¹²⁶

I&E agreed with the Company's use of the peak and average methodology to allocate any potential revenue increases among Columbia customer classes.¹²⁷ Further, I&E agreed with the Company continuing to show a separate customer class for flex rate

¹²³ I&E MB, p. 59.

¹²⁴ I&E MB., pp. 59-61.

¹²⁵ Columbia MB, pp. 135-136.

¹²⁶ *Id.*, p. 136.

¹²⁷ I&E MB, p. 60.

customers.¹²⁸ I&E believes that this is important so the Commission can determine the cost to provide service to the flex and non-flex customers and the subsidy being provided by tariff rate customers. With this information, the Commission can establish fair and reasonable rates for all other non-flex customers in non-flex classes.

The OCA agreed¹²⁹ with I&E's position but Penn State did not.¹³⁰ PSU argues in favor of the Customer-Demand Study while also conceding that Columbia's Average Study would be acceptable.¹³¹ I&E relied on a previous Columbia Gas Order that determined that the peak and average methodology was the most appropriate methodology to use in that proceeding and denied PSU's COSS argument regarding the Customer-Demand methodology.¹³² Finally the OCA stated that the peak and average cost allocation method should be accepted in this current proceeding.¹³³

Therefore, I&E continues to recommend the Company use the peak and average methodology to allocate any potential revenue increases among Columbia customer classes; and that the Company continuing to show a separate customer class for flex rate customers.

C. Revenue Allocation

Responding to Columbia MB, Section X.B., pp. 140-154.

I&E recommended that the Company's customer cost analysis that does not include the cost of mains should be utilized in this proceeding; and, the Company's

¹²⁸

Id.

¹²⁹ OCA MB, p. 174.

¹³⁰ I&E MB, p. 60. *See* PSU MB, p. 3-13.

¹³¹ PSU MB, p. 4-5.

¹³² I&E MB, p. 60.

¹³³ OCA MB, pp. 173-176.

customer cost analysis that includes the cost of mains should not be considered.¹³⁴

Revenue allocation is described as the allocation of revenue responsibility between rate classes.¹³⁵ It is routinely accepted that for class revenue allocation purposes, cost of service is the “polestar.”¹³⁶

The Company acknowledged that I&E agreed with the Company’s revenue allocation proposal.¹³⁷ Further, I&E asserted that the Commission established, in Columbia’s 2020 base rate case, that mains are not properly included as a customer cost.¹³⁸ Therefore, I&E continues to recommend that the Company’s customer cost analysis that does not include the cost of mains should be utilized in this proceeding; and, the Company’s customer cost analysis that includes the cost of mains should not be considered.

D. Rate Design – Customer Charges

Responding to Columbia MB, Section IX.C.1-5., pp. 144-154.

I&E recommended the customer charges for rate classes RS, RDS, and RC2 stay at the current rate of \$17.25.¹³⁹ Further, I&E accepted the proposed customer charges for LDS class customers because higher usage customers generally favor a higher fixed charge and lower usage charges.¹⁴⁰ I&E also accepted the proposed customer charges for

¹³⁴ I&E MB, p. 62.

¹³⁵ *Id.*, p. 61, *citation omitted*.

¹³⁶ *Id.*, *citation omitted*.

¹³⁷ Columbia MB, p. 143.

¹³⁸ I&E MB, p. 62, *citation omitted*.

¹³⁹ I&E MB, p. 63.

¹⁴⁰ *Id.*, p. 63.

SGS1, SGS2, and SDS/LGSS customers as the proposed charges are consistent with the applicable customer cost analysis.¹⁴¹

Columbia repeated all of its arguments in support of a higher customer charge and lower volumetric usage rates in its main brief.¹⁴² Columbia is asking the Commission to make a philosophical decision regarding the balance between monthly customer charges and volumetric usage rates. Its proposed rate design and proposed customer charges are based on its original requested overall revenue increase of approximately \$110.5 million.

Finally, I&E argued, the Company's analysis of customer costs includes costs that are not appropriately included in a customer charge and is based on the Company's requested increase, which in all likelihood will be higher than the increase authorized by the Commission in this proceeding.¹⁴³ Therefore, I&E continues to recommend the customer charges for rate classes RS, RDS, and RC2 stay at the current rate of \$17.25.

E. Scale Back of Rates

Responding to Columbia MB, Section X.B.1., pp. 140-141.

I&E recommended that if the Commission grants an increase less than the amount requested by the Company, then all proposed increases to customer charges and usage rates be scaled back proportionately based on the ACOSS that is ultimately approved by the Commission.¹⁴⁴

Columbia agrees with the application of a scale back.¹⁴⁵

¹⁴¹

Id.

¹⁴² Columbia MB, pp. 144-151.

¹⁴³ I&E MB, p. 63.

¹⁴⁴ I&E MB, p. 64.

¹⁴⁵ Columbia MB, p. 141.

I&E continues to recommend all proposed increases to customer charges and usage rates be scaled back proportionately based on the ACOSS that is ultimately approved by the Commission at the total revenue increase approved by the Commission. Finally, I&E also identifies the concept of gradualism as one of the tools of discretion in the Commissions toolbox.

XI. ALTERNATIVE RATEMAKING

Responding to Columbia MB, Section XI.A-B., pp. 155-179.

As stated in I&E’s Main Brief, Act 58 of 2018 was approved on June 28, 2018, and went into effect on August 27, 2018, and was codified at 66 Pa. C.S. § 1330.¹⁴⁶ Section 1330(a)(1) of the Code states that “the commission *may approve* an application by a utility in a base rate proceeding to establish alternative rates and rate mechanisms.” 66 Pa. C.S. § 1330(a)(1).¹⁴⁷ It is clear that the Commission has discretion regarding whether it will authorize the implementation of alternative ratemaking mechanisms, such as decoupling mechanisms like the WNA; however, approval is not guaranteed and in order to implement an alternative ratemaking mechanism, the proposing utility must provide substantial evidence that the specific mechanism proposed by the utility would result in just and reasonable rates. 66 Pa. C.S. §§ 315(a), 1330.¹⁴⁸

Also noted in I&E’s Main Brief, The Commission explained to determine “just and reasonable alternative distribution ratemaking mechanisms and rate designs that

¹⁴⁶ I&E MB, p. 64, citing *Pa. PUC v. PECO Energy Company - Gas* (“PECO WNA Order”), Docket No. R-2024-3046932, p. 14 (Order Entered December 12, 2024) .

¹⁴⁷ I&E MB, p. 65, *citing* PECO WNA Order, p. 14, *emphasis added*.

¹⁴⁸ *Id.*, p. 65.

promote the purpose” of the Commission’s policy and the policy laid out in Section 1330, the Commission, in a Policy Statement, developed 14 factors to be considered. Section 1330, however, does not waive the Code’s burden of proof requirements, or the Administrative Agency Law’s requirement that the decisions of Commonwealth agencies (including the Commission) be supported by substantial evidence.¹⁴⁹

Further, the Commission noted in its PECO WNA Order “it is a primary concern of the Commission that alternative ratemaking is, in some way, rooted in the cost of service.”¹⁵⁰ As is stated at 52 Pa. Code § 69.3301, “an alternative rate design methodology should reflect the sound application of cost-of-service principles, establish a rate structure that is just and reasonable, and consider customer impacts.”¹⁵¹

A. Weather Normalization Adjustment (WNA)

Responding to Columbia MB, Section XI.A.1-5., pp. 155-171.

I&E recommended that Columbia’s WNA pilot program be allowed to expire and no permanent WNA be put in place.¹⁵² In the alternative, I&E recommended that if Columbia’s WNA is made permanent, the Commission should apply the three modifications recommended by I&E.¹⁵³

Columbia continues to request that the Commission allow Columbia’s current WNA pilot to become permanent.¹⁵⁴ Columbia argues that the WNA is authorized by

¹⁴⁹ *Id.*, citing 2 Pa. C.S. § 704.

¹⁵⁰ *Id.*, p. 65.

¹⁵¹ *Id.*, pp. 65-66, citing PECO WNA Order, pp. 16-17, quoting 52 Pa. Code §§ 69.3301, 69.3302(a).

¹⁵² I&E MB, p. 67.

¹⁵³ I&E MB, p. 68.

¹⁵⁴ Columbia MB, p. 156.

statute¹⁵⁵ and that it is in the public interest.¹⁵⁶ Columbia also reminds the Commission that it has collected an additional \$74 million in revenues from its rate payers since the inception of the WNA.¹⁵⁷ Finally, Columbia repeated the same arguments it has been making since the beginning of this case.¹⁵⁸

Worth repeating from I&E's Main Brief, I&E reiterates, in response to Columbia's request to make its WNA pilot permanent, I&E recommended the Commission reject the Company's request and disallow the WNA from being applied going forward.¹⁵⁹ For the reasons stated in I&E direct¹⁶⁰ and surrebuttal¹⁶¹ testimony, I&E believes Columbia's WNA program should end.

I&E's analysis of Columbia's current WNA included utilizing the guidance provided by the Commission in its 2019 Statement of Policy where the Commission identified fourteen factors to consider when evaluating an alternative rate making mechanism.¹⁶² I&E focused on Policy Questions Nos. 1, 5, 6, 12 and 13.¹⁶³ I&E argued that Columbia's WNA does not properly align revenues with cost causation principles as to both fixed and variable costs.¹⁶⁴ I&E also argued that Columbia's WNA serves to shift costs from customers who can afford to make efficiency improvements to those customers who cannot afford to make efficiency improvements while at the same time

¹⁵⁵ *Id.*, p. 157.

¹⁵⁶ *Id.*, pp. 157-158.

¹⁵⁷ *Id.*, p. 158.

¹⁵⁸ Columbia MB, pp. 155-171.

¹⁵⁹ I&E MB, p. 66.

¹⁶⁰ *Id.*, p. 66, *citing* I&E St. No. 3, pp. 9-21.

¹⁶¹ *Id.*, *citing* I&E St. No. 3-SR, pp. 8-23.

¹⁶² I&E MB, pp. 66-67, *citing* Statement of Policy ("2019 Statement of Policy"), Docket No. M-2015-2518883, Order entered July 18, 2019.

¹⁶³ *Id.*, p. 67.

¹⁶⁴ *Id.*

creating an imbalance in the WNA share to cover the revenue shortfall not based on actual usage.¹⁶⁵ Further, while some may see the 3% deadband as a customer protection, in this real-world application, it did not afford much protection at all.¹⁶⁶ Finally, I&E argued that WNAs in general and the WNA billing process are too complex and confusing to customers.¹⁶⁷

If, however, the Commission decides to allow Columbia to move forward with its WNA, then I&E recommended certain changes be made to the WNA in an effort to soften its impact on Columbia's rate payers, especially those that try to conserve usage to reduce their monthly bill. I&E recommended that if the Commission decides to approve the WNA on a permanent basis, three (3) consumer protection modifications should be made to the WNA.¹⁶⁸ First, the shoulder month of May should be removed from the WNA. Second, the time period used to determine normal HDDs be shortened to ten years. And third, the deadband should be increased to 5%.¹⁶⁹

First, the month of May is not a winter or traditional heating month in either Eastern or Western Pennsylvania but more appropriately a shoulder month when customers can expect to start seeing their heating bills decline.¹⁷⁰ By including May in its calculation, customers, unfortunately, could see their bills increase due to the WNA as late as June.¹⁷¹

¹⁶⁵ *Id.*, citing I&E St. No. 3-SR, pp. 12-13.

¹⁶⁶ *Id.*, citing I&E St. No. 3-SR, pp. 12-13.

¹⁶⁷ *Id.*

¹⁶⁸ I&E MB, p. 68, citing I&E St. No. 3, p. 18; I&E St. No. 3-SR, pp. 16-17.

¹⁶⁹ *Id.*

¹⁷⁰ *Id.*

¹⁷¹ *Id.*

Second, I&E argued that by utilizing a twenty-year weather cycle to determine normal HDDs, the Company is ignoring what even the Company argues is a “recent” winter weather warming trend that is representative of Pennsylvania winters, which results in more winter months falling short of “normal” based on how the Company calculates what is “normal.”¹⁷² Using a twenty-year cycle rather than a ten-year cycle results in an “historical bias” that diminishes the effect of the claimed recent trends and results in providing revenue to the Company when instead, customers should be realizing savings.¹⁷³ The Company cites to a recency bias in a claimed weather warming trend yet won’t recognize that same recency bias when calculating what is “normal” regarding their HDD.

Finally, if the goal of the WNA is to improve stability regarding customer bills and Company revenue, a 5% deadband adequately captures what could be considered normal weather fluctuations in Pennsylvania and places more of the burden for calculating and forecasting weather variations back onto the Company as a normal part of doing business.¹⁷⁴ It goes without saying that the Company is far better equipped to meet that challenge than the customers.

These three rational adjustments to Columbia’s WNA would add additional customer protections from fluctuating monthly usage billing and would encourage conservation by the ratepayers. But imagine if Columbia were awarded both a higher monthly customer charge and the WNA. A customer thinking they are paying a higher

¹⁷² *Id.*, p. 68.

¹⁷³ *Id.*, p. 69.

¹⁷⁴ *Id.*

customer charge as a tradeoff for lower volumetric usage charges would get hit with a WNA surcharge after trying to conserve usage to avoid the volumetric charge just so Columbia could achieve its target revenue. Customers simply would not understand that “logic.” Therefore, I&E continues to recommend that Columbia’s WNA be allowed to expire and no permanent WNA be put in its place. As explained above, if Columbia’s WNA is extended as a pilot program (or made permanent), the Commission should, at minimum, apply the three modifications recommended by I&E.

B. Revenue Normalization Adjustment (RNA)

Responding to Columbia MB, Section XI.B., pp. 172-179.

I&E recommended that the Company’s proposal to implement an RNA be denied.¹⁷⁵

Columbia makes a chilling argument in its main brief in support of its proposal to develop a Benchmark Base Revenue Per Customer (“BRPC”) that would consist of the Commission authorized revenues for the FPFTY (plus the 14 days?)¹⁷⁶ divided by the number of customers determined in the case for each rate schedule.¹⁷⁷ The Company then talks about the possibility of an under-collection at the end of the year, but the entire RNA is designed for the sole purpose of making sure that never happens. Further, the BRPC flips the *Bluefield Water Works* “opportunity” to earn a fair rate of return to a

¹⁷⁵ I&E MB, p. 71.

¹⁷⁶ I&E notes here that Columbia fails to mention the EXTRA 14 days prior to the start of the FPFTY during which they believe they are entitled to start collecting the new rates. Will the Benchmark Base Revenue Per Customer apply during those 14 days too? This example illustrates why the *Bell* court was misguided.

¹⁷⁷ Columbia MB, p. 172.

guarantee to earn an “authorized revenue.” Columbia argues that this scheme is in the public interest,¹⁷⁸ but I&E disagrees.¹⁷⁹

I&E reiterates that it opposes the RNA and recommends that the Commission deny implementation of an RNA.¹⁸⁰ I&E noted that the Company has repeatedly proposed enacting the RNA in previous rate cases and I&E has opposed the RNA every time.¹⁸¹ Most recently, the Company proposed to enact an RNA in its 2020, 2021, 2022, and 2024 base rate cases at Docket Nos. R-2020-3018835, R-2021-3024296, R-2022-3031211, and R-2024-3046519.¹⁸²

Once again, in its opposition, I&E relied on the Commission’s July 18, 2019 Statement of Policy.¹⁸³ I&E reviewed the fourteen factors set forth in the Statement of Policy and stated its concerns regarding Policy Questions 1, 2, 8, 10 and 12,¹⁸⁴ ultimately concluding that Columbia’s current system of rates and charges, which include fixed monthly customer charges, a purchased gas adjustment mechanism, and potentially a distribution system improvement charge provide Columbia with the revenue stability it desires.¹⁸⁵

Therefore, I&E continues to argue Columbia has not met its burden of proving that these revenue sources are inadequate.¹⁸⁶ Additionally, the Company has not presented credible evidence that implementation of the RNA will result in fewer base rate cases,

¹⁷⁸ *Id.*, pp. 174-175.

¹⁷⁹ I&E MB, pp. 33-34, 70-71.

¹⁸⁰ *Id.*, p. 70.

¹⁸¹ *Id.*

¹⁸² *Id.*

¹⁸³ *Id.*, citing 2019 Statement of Policy.

¹⁸⁴ *Id.*, citing I&E St. No. 3, pp. 24-28.

¹⁸⁵ *Id.*

¹⁸⁶ *Id.*

thus removing any benefit from the residential customers.¹⁸⁷ Finally, I&E also proffers that the RNA will have a chilling effect on voluntary conservation by the ratepayers.¹⁸⁸

Therefore, I&E continues to recommend that the Company's proposal to implement an RNA be denied.

XII. CUSTOMER SERVICE / QUALITY OF SERVICE

Responding to Columbia MB, Section XII.A-E., pp. 113-121.

As stated in I&E's Main Brief, most of the customer service and quality of service issues were raised by the OCA and CAUSE-PA. I&E did not submit testimony on most of the issues raised by the other parties. The issues where I&E did submit testimony are addressed *infra*.

A. Speech Analytics Pilot Program (SAP)

Responding to Columbia MB, Section XIII.A., pp. 187-192.

I&E recommended the Commission not allow the Company's proposed annual budgeted expense claim of \$300,000 for the SAP program to be recovered from ratepayers using the USP rider.¹⁸⁹

Columbia argues the proposed a two-year SAP program using speech analytics technology to review customer calls to identify customers that may be eligible for the CAP who were not referred to the program during the call is in response to Columbia's last base rate case settlement.¹⁹⁰ Columbia stated the ultimate goal of the program is to

¹⁸⁷ *Id.*

¹⁸⁸ *Id.*

¹⁸⁹ I&E MB, p. 73.

¹⁹⁰ Columbia MB, p. 187.

increase appropriate referrals to the CAP from the Customer Care Center.¹⁹¹ The estimated annual budget for this program is \$300,000, which will include Columbia’s pro-rated portion of the annual licensing fee, programming the Speech Analytics Technology (“SAT”), analyzing results and any potential follow up related to training.¹⁹² Columbia proposes to recover this annual budgeted cost through its Universal Service Plan (“USP”) Rider.¹⁹³

I&E reiterates that it recommended not allowing the Company’s annual budgeted expense claim of \$300,000 for the SAP program to be recovered from ratepayers’ bills using the USP rider for several reasons.¹⁹⁴ First, the SAP program is not specifically mandated by statute or regulation for the utility to implement.¹⁹⁵ Second, there is no identified basis or support for the expense claim of \$300,000.¹⁹⁶ Third, the approval of the SAP program with the USP rider mechanism provides Columbia a guaranteed expense recovery though there is no established measurement of success and real term benefits to ratepayers.¹⁹⁷

Fourth, Columbia’s in-house call center staff is currently using the following software applications for speech analytics:¹⁹⁸

- (a) NICE Engage: Source system for call audio recording extraction.
- (b) Azure AI Services: Microsoft cloud technology platform used for call transcription, PII redaction, and data analysis.

¹⁹¹ *Id.*, pp. 187-188.

¹⁹² *Id.*, p. 188.

¹⁹³ *Id.*, *citing* Columbia St. No. 16, p. 9.

¹⁹⁴ I&E MB, pp. 72-73.

¹⁹⁵ *Id.*, p. 72.

¹⁹⁶ *Id.*

¹⁹⁷ *Id.*

¹⁹⁸ *Id.*

- (c) Large Language Model (LLM): Used to analyze and extract information from the transcribed calls. LLMs are advanced AI models that can understand and generate human language, enabling us to extract data from transcripts by asking questions in natural language. Considering the current application of software applications, I&E argues it is imprudent to enhance SAP by investing additional funds for the SAT, which will be funded by all residential customers to improve identification of potential CAP customers over telephonic conversations of the call center staff.

Fifth, there is no proven benchmark or other utilities' SAT experience or performance metrics to improve customer service representatives' awareness and identification of eligible CAP customers over telephonic conversation, which could justify or support Columbia's expense claim.¹⁹⁹ In the absence of a verifiable analysis results of effectiveness of the SAT use or integration with the SAP, the success of the proposed SAP is speculative, and therefore, the expense claim is unjustified and unsupported in this proceeding.²⁰⁰

Additionally, the Commission has recently held that it is more appropriate for Columbia to propose the SAP pilot, accompanied by an analysis results of similar programs implemented by other utilities, in Columbia's Universal Service and Energy Conservation Plan proceeding, where all stakeholders including the Commission's Bureau of Consumer Services would have an opportunity to review and evaluate the SAP alongside other universal service programs and policies.²⁰¹

¹⁹⁹ *Id.*, p. 73.

²⁰⁰ *Id.*

²⁰¹ I&E MB, p. 73, citing *Pa. PUC v. PECO Energy Company – Gas Division*, Docket No. R-2020-3018929 (Order Entered June 22, 2021); and *Pa. PUC v. Columbia Gas of Pennsylvania, Inc.*, Docket No. R-2020-3018835 (Order Entered February 19, 2021).

Therefore, I&E continues to recommend that the Commission not allow the Company's proposed annual budgeted expense claim of \$300,000 for the SAP program to be recovered from ratepayers using the USP rider.

XIII. UNIVERSAL SERVICE PROGRAMS

As stated in I&E's Main Brief, most of the universal service programs issues were raised by the OCA and CAUSE-PA. I&E did not submit testimony on most of the issues raised by the other parties. The issues where I&E did submit testimony are addressed *infra*.

A. Low Income Usage Reduction Program (LIURP)

Responding to Columbia MB, Section XIII.F., pp. 204-206.

I&E recommended that no increase in the budgeted LIURP amount be approved in this proceeding.²⁰²

Both CAUSE-PA and the PWPTF recommended that LIURP funding be increased by \$1,500,000 per year or by a percentage equal to any approved increase; and, that any unused funds be carried over and added to the following year's funding despite the fact that the Company is not proposing any increase to LIURP funding.²⁰³

I&E recommended that no increase in the budgeted LIURP amount be approved in this proceeding.²⁰⁴ I&E reasoned that, while PWPTF's and CAUSE-PA's recommendations are well-intentioned, it is inappropriate to consider an increase in the LIURP budget in this base rate proceeding.²⁰⁵ Any potential increase should be

²⁰² I&E MB, pp. 74-77.

²⁰³ *Id.*, p. 74. *See also* Columbia MB, pp. 204-205.

²⁰⁴ I&E MB, p. 74.

²⁰⁵ *Id.*

addressed in the Company’s Universal Service and Energy Conservation Plan (“USECP”) proceedings, where consideration and evaluation of all other related programs and comments from all stakeholders and interested parties can occur.²⁰⁶

Further, I&E reiterates here what it argued in its Main Brief that several recent Commission decisions and Commissioner statements support the finding that modifications to LIURP and other universal service programs should be made in the universal service and energy conservation plan proceedings and not in base rate proceedings.²⁰⁷

In *PA PUC v. Aqua Pennsylvania, Inc.*,²⁰⁸ the Commission stated:

Our decision on this issue is consistent with prior decisions in which we have determined that it was not appropriate to consider proposals relating to a public utility’s energy burdens, CAP, and other universal service program issues within the context of a base rate proceeding, finding that such proposals are more properly considered in a public utility’s Universal Service and Energy Conservation Plan (USECP) proceeding.²⁰⁹

Additionally, in the recent PECO Energy Company - Gas Division proceeding, the Commission did not consider CAUSE-PA’s proposals related to CAP and other universal service program issues within the context of the base rate proceeding because they would be more properly considered in its USECP proceeding.²¹⁰ In that proceeding, the

²⁰⁶ *Id.*

²⁰⁷ I&E MB, p. 75. *See also* I&E St. No. 1-R, pp. 5-7, *citations omitted*.

²⁰⁸ *Id.*, *citing PA Public Utility Commission et al. v. Aqua Pennsylvania, Inc.*, (2022 Aqua Order), Docket No. R-2021-3027386 (Order Entered May 16, 2022) .

²⁰⁹ *Id.*, *citing* 2022 Aqua Order, p. 333.

²¹⁰ *Id.*, *citing PA PUC v. PECO Energy Company - Gas Division*, (2021 PECO Order), Docket No. R-2020-3018929, pp. 195-196 (Order Entered June 22, 2021).

Commission also referenced Columbia’s 2020 base rate proceeding²¹¹ where it concluded, “that energy burdens should not be considered separately from other parts of the Company’s CAP and universal service programs but should be considered as part of the Company’s entire universal service plan, including the need for changes and associated costs.”²¹²

Of further note, the Notice of Proposed Rulemaking for the *Initiative to Review and Revise the Exhibit Low-Income Usage Reduction Program (LIURP) Regulations at 52 Pa. Code §§ 58.1-58.18*, states:

[A] LIURP budget can only be revised through a USECP proceeding initiated pursuant to the periodic USECP review process or in response to a petition to amend a USECP earlier than the periodic USECP review process.²¹³

It also states:

As LIURP is a ratepayer-funded program, considerations impacting its budget determination should be open to scrutiny and comment. USECP proceedings allow all interested parties to provide comments, raise questions, and review information justifying the proposed change to the LIURP budget in an on-the-record proceeding.²¹⁴

And finally, in a recent UGI Utilities, Inc. - Electric Division base rate proceeding, Commissioner John F. Coleman stated the following,

In addition to my concerns about the lawfulness and reasonableness of the automatic enrollment modifications in this specific Settlement, I am becoming increasingly uncomfortable with the modification of universal service

²¹¹ *Id.*, citing *PA PUC v. Columbia Gas of Pennsylvania, Inc.*, (2021 Columbia Order), Docket No. R-2020-3018835 (Order Entered February 19, 2021) .

²¹² *Id.*, pp. 75-76, citing 2021 PECO Order, p. 195.

²¹³ I&E MB, p. 76, citing Notice of Proposed Rulemaking for the *Initiative to Review and Revise the Exhibit Low-Income Usage Reduction Program (LIURP) Regulations at 52 Pa. Code §§ 58.1-58.18*, (2023 LIURP Rulemaking Order), Docket No. L-2016-2557886, p. 36 (Order Entered May 18, 2023).

²¹⁴ *Id.*, citing 2023 LIURP Rulemaking Order, p. 37.

programs within base rate cases, especially in base rate cases that result in black box settlements.²¹⁵

In that same statement, Commissioner Coleman asserted that, “This complexity and the need for balance are best addressed in USECP proceedings.”²¹⁶

Therefore, I&E continues to recommend that no increase in the budgeted LIURP amount be approved in this proceeding.

B. Hardship Fund

Responding to Columbia MB, Section XIII.H., pp. 206-208.

I&E recommended that no increase to the Company’s contribution to its Hardship Fund be approved in this proceeding.²¹⁷

The PWPTF recommended that the Company’s contribution to its Hardship Fund be increased commensurate with the percentage increase in rates of the residential class that would result from this proceeding.²¹⁸

I&E recommended that no increase to the Company’s contribution to its Hardship Fund be approved in this proceeding.²¹⁹ Additionally, Columbia argued that its Hardship Fund is adequately funded and that no customers have been denied Hardship Fund assistance due to a lack of funds.²²⁰ Columbia concluded PWPTF’s recommendation should be denied.²²¹

²¹⁵ *Id.*, pp. 76-77, citing *Pa. P.U.C. v. UGI Utilities, Inc.- Electric Division*, Docket No. R-2022-3037368, et al., Statement of Commissioner John F. Coleman, Jr., (Statement of Commissioner Coleman), p. 2 (Statement Entered September 21, 2023).

²¹⁶ *Id.*, p. 77, citing Statement of Commissioner Coleman, p. 2.

²¹⁷ I&E MB, pp. 77-78.

²¹⁸ *Id.*, p. 77.

²¹⁹ *Id.*

²²⁰ Columbia MB, p. 207.

²²¹ *Id.*

Further, I&E argued, if an increase is ultimately approved in this proceeding, any increase to the Hardship Fund as proposed by the PWPFT should be funded by shareholders and not via mandatory ratepayer funding.²²² I&E reasoned, it is inappropriate to consider an increase in the Hardship Fund in this base rate proceeding, regardless of the source of the funding.²²³

Therefore, I&E continues to recommend that no increase to the Company's contribution to its Hardship Fund be approved in this proceeding.

XIV. ENERGY EFFICIENCY PROGRAMS

A. Energy Efficiency Plan ("EEP")

Responding to Columbia MB, Section XIV.A-C., pp. 208-223.

I&E recommended that the Company's proposal for its Phase II EEP be disallowed in this base rate proceeding.²²⁴ Alternatively, I&E recommended, if the Commission considers Columbia's EEP appropriate and reasonable for approval in this proceeding pending the outcome of performance results of EEP Pilot (Phase I) ending in December 2025, then in the interest of customer protection, I&E recommends the Commission put a maximum annual cap on the plan's total administration cost (exclusive of the incentives cost) at 20% of the annual total EEP cost with any excess administration costs to be refunded to customers through the rider.²²⁵

Columbia argued the absence of a statutory mandate, coupled with penalties for noncompliance, should not be the standard for determining whether a voluntary NGDC

²²² I&E MB, p. 77.

²²³ *Id.*

²²⁴ I&E MB, pp. 78-83.

²²⁵ *Id.*, p. 83.

EE&C plan should be adopted.²²⁶ Performance penalties are not necessary for ensuring voluntary plans meet goals.²²⁷ I&E offers that the legislature did not include natural gas distribution companies in Act 129 when they wrote even though they very easily could have. Plus, the electric distribution companies would argue that penalties are not necessary for ensuring that goals are met, yet the legislature thought penalties were important enough to include in Act 129. Columbia's arguments here are in direct conflict with the legislature's reasoning when drafting Act 129.²²⁸

Columbia argues further, if penalties were established for missing stated goals in voluntary plans, NGDCs may stop offering EE&C plans altogether, since they provide no direct monetary benefit to the administrator and would place the utilities at risk of incurring civil penalties.²²⁹ I&E disagrees. I&E highlighted the monetary and revenue benefits gained by Columbia through both administrative and operations expenses from approximately 98% of Columbia ratepayers that receive no benefit from the EEP.²³⁰

Additionally, Columbia argues that "while it is true that as technology advances, more efficient equipment becomes available in the market, this is true of all equipment, not just equipment powered by natural gas."²³¹ While also stating, "absent federal efficiency standards being increased to disallow the manufacture and sale of low efficiency equipment, lower efficiency equipment still exists in the market as an option with lower upfront costs to customers while operating at a higher lifetime cost by

²²⁶ Columbia MB, p. 222.

²²⁷ *Id.*

²²⁸ *See* I&E MB, pp. 78-83.

²²⁹ Columbia MB, p. 222.

²³⁰ *See* I&E MB, pp. 80-83.

²³¹ Columbia MB, p. 223.

consuming more natural gas and requiring more maintenance.”²³² But I&E argues that this logic is flawed. The use of subsidized programs to purchase current equipment actually stifles technological advancement and breakthroughs. If a manufacturer knows it can sell its current technology through subsidized programs, then it has no incentive to develop the next more advanced technology to improve its sales. Federal efficiency standards are not necessary and in fact would hinder fully vetted technological advancements in lieu of mandated products that simply “meet” the imposed standards. The one thing that is clear from the last 20-50 years of technological advancements is that products can get exponentially more technologically advanced while at the same time going down in price (handheld calculators, personal desktop computers, flat screen televisions, and simple cell phones morphing into mobile computers connected to the world for example). High upfront costs are not synonymous with technological advancements, and, in fact, it can be argued that, in the free market, technological advancements will actually lower upfront costs.

Finally, I&E continues to recommend that the Company’s proposal for its Phase II EEP be disallowed in this base rate proceeding. Alternatively, if the Commission considers Columbia’s EEP appropriate and reasonable for approval in this proceeding pending the outcome of performance results of EEP Pilot (Phase I) ending in December 2025, then in the interest of ratepayers and as an added consumer protection, I&E recommended the Commission put a maximum annual cap on the plan’s total

²³² *Id.*

administration cost (exclusive of the incentives cost) at 20% of the annual total EEP cost with any excess administration costs to be refunded to customers through the rider.

XV. COMPETITIVE SUPPLY ISSUES

Columbia MB, Section XV., pp. 224-227.

I&E did not submit any record evidence nor make any recommendations regarding any competitive supply issues.

XVI. TARIFF ISSUES

A. Economic Development Distribution Service Rate (“EDDS”)

Responding to Columbia MB, Section XVI.A., pp. 227-231.

I&E recommended that Columbia’s proposed EDDS rate class be disallowed in its entirety.²³³ I&E raised concerns, chief among them, the allocation of costs.²³⁴

Columbia argued it does not currently have a rate schedule that can effectively accommodate a data center and this industry is moving very quickly; the Company needs to be proactive in order to be able to serve these large customers.²³⁵ The new rate class will allow the Company the flexibility to bring on new large load customers that may have near-term natural gas needs in a manner that provides for accelerated cost recovery while protecting the interests of the existing Columbia customer base.²³⁶

I&E raised the following concerns: no current jurisdictional customers are interested in this new class of service; how these new customers would be classified jurisdictionally; which class(es) of customers would or should pay for all future

²³³ I&E MB, pp. 83-85.

²³⁴ *Id.*, pp. 84-85.

²³⁵ Columbia MB, pp. 227-231.

²³⁶ *Id.*, pp. 230-231.

improvements including a plan on how stranded costs would be handled; and how individual contracts associated with this rate class could possibly never change resulting in potential subsidization by jurisdictional customers.²³⁷

Columbia argued further, the Commission and the parties will have oversight of the separation of costs in base rate proceedings.²³⁸ Costs for Rate EDDS will need to be separated out in a cost-of-service study regardless of whether the service is jurisdictional or non-jurisdictional.²³⁹ Making the service non-jurisdictional protects jurisdictional customers from the unique and significant risks associated with service data centers.²⁴⁰

In response, I&E reiterates any potential future improvements made to that rate class might ultimately result in jurisdictional customers subsidizing the costs of non-jurisdictional customers.²⁴¹ This jurisdictional issue could create stranded cost issues related to transmission between both categories, which will likely only impact jurisdictional customers because of the unregulated operating environment and confidential terms of non-jurisdictional individual contracts.²⁴²

I&E continues to recommend that Columbia's proposed EDDS rate class be disallowed in its entirety. If, on the other hand, the Commission grants Columbia's request to implement the EDDS, then I&E urges the Commission to address the concerns raised by I&E, especially the allocation of costs.

²³⁷ I&E MB, p. 84.

²³⁸ Columbia MB, p. 230.

²³⁹ *Id.*

²⁴⁰ *Id.*

²⁴¹ I&E MB, pp. 84-85.

²⁴² *Id.*, p. 85.

XVII. MISCELLANEOUS ISSUES / PIPELINE SAFETY

A. Methane Detector Pilot Program

Responding to Columbia MB, Section XVII.E., pp. 243-245.

I&E recommended Columbia implement a pilot program utilizing SRMDs in a region where Columbia has risky pipe for the installation of 500 to 1000 SRMDs to allow the Company to study the effectiveness of the SRMDs and monitor the related expenses.²⁴³ Or, in the alternative, I&E recommended that Columbia implement an internal study to determine whether a pilot program is feasible and how Columbia would implement a pilot program.²⁴⁴

In its Main Brief, Columbia committed to conducting a thorough investigation into the technical and operational requirements necessary to support such integration and to providing the results of this assessment in its next base rate case filing.²⁴⁵

I&E continues to recommend its first preference that Columbia implement a pilot program utilizing SRMDs in a region where Columbia has risky pipe for the installation of 500 to 1000 SRMDs to allow the Company to study the effectiveness of the SRMDs and monitor the related expenses.

XVIII. CONCLUSION

I&E respectfully submits that for all the reasons presented in this I&E Main Brief, Columbia Gas has not met its burden of proof as the record evidence presented by Columbia Gas does not substantiate a revenue increase of \$110.5 million. Instead, based

²⁴³ I&E MB, p. 86.

²⁴⁴ *Id.*

²⁴⁵ Columbia MB, p. 244.

on the weight of the record evidence, Your Honor and the Commission should only grant Columbia Gas the I&E recommended revenue increase of \$78,643,542 million in accordance with the record evidence presented by I&E and summarized in this I&E Main Brief and the appended I&E Tables.

Respectfully submitted,

A handwritten signature in cursive script that reads "Scott B. Granger".

Scott B. Granger
Prosecutor
Bureau of Investigation & Enforcement
PA Attorney ID No. 63641

Dated: September 5, 2025

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

CERTIFICATE OF SERVICE

I hereby certify that I am serving the foregoing **Reply Brief** dated September 5, 2025, in the manner and upon the persons listed below.

Served via Electronic Mail Only

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