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September 5, 2025

VIA ELECTRONIC FILING

Matthew Homsher, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

**Re: Pennsylvania Public Utility Commission, et al. v. Columbia Gas of Pennsylvania, Inc.
Docket Nos. R-2025-3053499, et al.**

Dear Secretary Homsher:

Attached for filing please find the Reply Brief on behalf of Columbia Gas of Pennsylvania, Inc., in the above-referenced proceeding.

Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,



Michael W. Hassell

MWH/sa
Attachment

cc: The Honorable Chad Allensworth (*via email; w/attachment*)
The Honorable Jeffrey A. Watson (*via email; w/attachment*)
Certificate of Service

CERTIFICATE OF SERVICE

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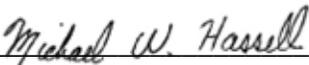
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Pennsylvania Public Utility Commission	:	R-2025-3053499
Office of Small Business Advocate	:	C-2025-3054550
Office of Consumer Advocate	:	C-2025-3054484
The Pennsylvania University	:	C-2025-3054780
Terri Walker	:	C-2025-3054662
Linda Slick	:	C-2025-3054552
Linda Allison	:	C-2025-3054434
Alexandra Garlitz	:	C-2025-3055233
Daniel and Stacy Chronister	:	C-2025-3056194
	:	
v.	:	
	:	
Columbia Gas of Pennsylvania, Inc	:	

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I. INTRODUCTION

On August 26, 2025, Columbia Gas of Pennsylvania, Inc., (“Columbia” or the “Company”), the Pennsylvania Public Utility Commission’s (“Commission”) Bureau of Investigation and Enforcement (“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 (“PSU”) submitted Main Briefs.

Columbia’s Main Brief (“MB”), which explained that its proposed \$110.5 Million base rate increase should be approved, anticipated and responded to many of the arguments that have been raised by other parties. In several instances, Columbia’s position is fully set forth in its MB and further response in this Reply Brief (“RB”) is not necessary. Other arguments presented by parties in their briefs require further response. For ease of reference, Columbia’s RB follows the same sequence contained in its MB. The Headings in this RB provide cross-references to the relevant sections of other parties’ MBs in accordance with Second Interim Order Setting Forth Requirements for the Filing of Briefs of the Parties issued on September 2, 2025.

At pages 18 to 27 of its MB, OCA summarizes public input testimony that was received at the four public input sessions scheduled in this proceeding. Columbia appreciates the importance of public input testimony. For example, such testimony may identify, for Columbia’s management, emerging issues of concern that had not been brought to Columbia’s attention previously.

Much of the public input testimony focused on issues of affordability. Columbia understands that no one wants to pay more for necessary services. However, in order to construct and maintain a gas distribution system that provides safe and reliable service, it is necessary to invest in needed replacements of facilities. As Columbia's President and Chief Operating Officer ("COO") Mr. Kempic explained:

The Company realizes that rate increases will always have an impact on customers; however, considering the large, ongoing and growing capital program, which is necessary to retire and replace aging infrastructure, a rate increase is unavoidable. Columbia estimates that the total bill of an average residential customer using 70 therms per month will increase by \$15.77 per month. Even after this increase, the average customer's total bill (including gas costs) will only be about 2% higher than the average customer's total bill was *20 years ago* after you adjust for inflation. This is made possible by the lower gas supply costs since 2008, which provide a rare opportunity to make these safety and reliability investments in replacing pipe without taking a larger share of the customer's wallet. While you cannot put a price on the improvements in safety and reliability which we have brought about by our investments over the last 18 years, it is good to know that we have made those improvements and kept the customer's total cost reasonable and generally in line with inflation. In addition to the safety and reliability benefits provided by the Company's large scale pipeline replacement program, the Company believes that maintaining and growing its infrastructure modernization program provides the ancillary benefit of energizing the local economies through the wages paid to the skilled labor necessary to complete the work. This economic boost is especially important in many of the rural and economically disadvantaged communities in which Columbia provides service. In addition, through these efforts, we are reducing methane emissions from our main and service lines.¹

¹ Columbia St. No. 1, pp. 7-8.

Columbia appreciates that there are low-income customers who have difficulty paying their bills. Columbia has been and remains a leader among gas utilities in in serving and caring for its most vulnerable customers.²

II. SUMMARY OF ARGUMENT

Columbia's MB and RB explain why Columbia's evidence fully supports its rate increase request, its proposed rate design and alternative ratemaking mechanisms, its new low-income customer proposals, and its expanded energy efficiency proposal.

III. OVERALL POSITION ON RATE INCREASE (OSBA MB, SECTION III, PP. 4-7; OCA MB, SECTION III A-B, PP. 36-43; CAUSE-PA MB, SECTION III A-D, PP. 17-32; I&E MB, SECTION III, PP. 15-16)

In OSBA's overall position on the rate increase, OSBA provides a table listing the base rate filings that Columbia has made since 2008.³ Other parties also reference the number of rate increases that Columbia has received in recent years and ask that the Commission take that history of rate increases into account in ruling on this rate increase request.⁴ As Columbia's President and COO Mr. Kempic explained, Columbia realizes that rate increase always have an effect on customers. However, in order for Columbia to execute on its main replacement program, rate increases are unavoidable.⁵ Customer and employee safety dictate that Columbia replace aging infrastructure. The accelerated replacement of aging infrastructure is encouraged by the Legislature.⁶ The Commission's

² Columbia MB, pp. 125-27, 187-95.

³ OSBA MB, p. 5.

⁴ I&E MB, p. 19; OCA MB, p. 24; CAUSE-PA MB, p. 23.

⁵ Columbia St. No. 1, p. 7.

⁶ 66 Pa. C.S. §§ 1350-1360.

regulations on Long-Term Infrastructure Improvement Plans (“LTIIIP”) require a utility to “show the acceleration of the replacement of aging infrastructure by the utility and be sufficient to ensure and maintain adequate, efficient, safe, reliable and reasonable service to customers.”⁷

Columbia is proud of its efforts to accelerate the replacement of at-risk pipe, even though it has substantially driven the multiple rate increase requests listed in OSBA’s MB. Columbia’s system contains substantial amounts of at-risk pipe. Columbia has over 7,700 miles of pipe installed, approximately 10% of which is bare steel or wrought iron, 7% of which is pre-1982 plastic and 14% of which is pre-1971 coated pipe.⁸ These amounts represent a substantial reduction to at-risk pipe in Columbia’s system, due to its aggressive efforts to replace pipe that began in 2007. For example, Columbia has reduced the amount of bare steel, wrought iron and cast iron pipe in its system from roughly 2,200 miles to less than 800 miles.⁹ These efforts are not a basis to question Columbia’s need for rate relief.

OSBA’s comparison of Columbia’s rates to the rates of other Pennsylvania local distribution companies (“LDCs”) lacks critical context.¹⁰ Columbia’s pipeline replacements began prior, and in some cases well prior, to replacement efforts by other companies. OSBA has made no efforts to examine the pace of pipeline replacement efforts by other LDCs. As a result, OSBA cannot assess over the long-term the comparative rates of Columbia and other LDCs.

⁷ 52 Pa. Code § 121.1.

⁸ Columbia St. No. 1, p. 15.

⁹ Columbia St. No. 1, p. 16.

¹⁰ OSBA MB, p. 6.

OSBA questions, without citation to record evidence, whether Columbia has demonstrated that its overall capital spending plan is prudent.¹¹ Columbia anticipated, and responded to, OSBA’s assertion of imprudence in replacing aging infrastructure and the need for a long-term competitive analysis in Section XVII D of Columbia’s MB and will not repeat those explanations here.

In OCA’s overall position on the rate increase, it makes frequent reference to “regulatory lag” and claims that Columbia’s alternative ratemaking proposals seek to eliminate regulatory lag.¹² Columbia responded to these contentions at pages 168 to 169 of its MB, and in Section XI A 8 of this RB. OCA further asserts that the challenge to the Company is cost efficiencies.¹³ OCA’s assertion disregards the ongoing efforts taken by Columbia to control its costs. Columbia’s normalized Fully Projected Future Test Year (“FPFTY”) operations and maintenance (“O&M”) expenses are \$3 Million less than its normalized historic test year (“HTY”) expenses.¹⁴ Columbia also undertakes substantial efforts to control the cost of plant replacements. These efforts include using the buying power of NiSource Inc. (“NiSource”) to negotiate competitive pricing with contractors and suppliers and ongoing efforts to negotiate, and where necessary take legal action, to control costs incurred to comply with municipal ordinances that affect main replacement costs.¹⁵

¹¹ OSBA MB, p. 6.

¹² OCA MB, pp. 38-39.

¹³ OCA MB, p. 39.

¹⁴ Columbia Ex. 104, Sch. 1, pp. 2, 4.

¹⁵ Columbia St. No. 7, pp. 18-30.

A substantial portion of CAUSE-PA’s overall position on the rate increase identifies the payment difficulties of low-income customers and advocates for substantial increases in low-income customer program spending.¹⁶ Columbia cautions that calls for greater spending on programs for low-income customers must be balanced by a recognition that remaining residential customers pay the cost for these programs.

IV. RATE BASE (I&E MB, SECTION IV B, PP. 16-17)

In Section IV B of I&E’s MB, I&E explains its position on FPFTY reporting requirements. Columbia responded to I&E’s proposed reporting requirements in Section XVII B of its MB and confirmed that it does not oppose I&E’s proposed FPFTY reporting requirements.

A. PLANT IN SERVICE FTY AND FPFTY PLANT ADDITIONS (OCA MB, SECTION IV A, PP. 43-46)

OCA proposes to reduce by \$14.5 Million Columbia’s projected infrastructure replacements for the future test year (“FTY”) and FPFTY.¹⁷ OCA proposes its adjustment because Columbia, in developing its capital budget, considered expected increases in contractor costs.

The fundamental flaw in OCA’s adjustment is that it focuses on the mechanics of how Columbia developed its Age and Condition budgets, rather than the reasonableness of the budgeted amounts. Over the past three calendar years, Columbia has invested, on average, nearly \$360 Million per year on infrastructure replacement.¹⁸ Columbia has

¹⁶ CAUSE-PA MB, pp. 18-31.

¹⁷ OCA MB, pp. 43-46.

¹⁸ Columbia St. No. 7-R, p. 5.

budgeted Age and Condition FTY plant additions of \$312.58 Million and FPFTY plant additions of \$343.539 Million.¹⁹ This past rate of spending on infrastructure replacement is substantial evidence of the reasonableness of Columbia's projected infrastructure replacement. Further evidence of the reasonableness of Columbia's FTY and FPFTY budgets for infrastructure replacement can be seen in Columbia's track record of meeting and exceeding its budgeted spending. As demonstrated in Columbia's MB, Columbia has spent, on average, about \$20 Million more per year than it has budgeted on infrastructure replacement over the past three years.²⁰ During that three year period, Columbia installed more replacement pipe than in any three year period of its infrastructure replacement program.²¹ Columbia is able to meet, and exceed, its budgets for infrastructure replacement because the Company maintains planning flexibility to add projects if project costs come in under budget (including if per unit cost increases are less than anticipated).²²

For the reasons explained above and in Columbia's MB,²³ OCA's adjustment to projected plant additions is without merit and should be rejected.

B. DEPRECIATION RESERVE (OCA MB, SECTION IV B, PP. 46-49)

OCA proposes two adjustments to Columbia's Accrued Depreciation Reserve. The first is with respect to OCA's proposed \$14.5 Million plant additions adjustment and the second is with respect to OCA's proposal to change the Company's depreciation method

¹⁹ Columbia St. No. 7, p. 4.

²⁰ Columbia MB, p. 18.

²¹ Columbia Ex. RB-2R, p. 3.

²² *Id.*

²³ Columbia MB, Section IV A.

from the Equal Life Group (“ELG”) procedure to the Average Service Life (“ASL”) procedure. As explained in Columbia’s MB, and as further explained in Sections IV A and VI of this RB, OCA’s proposed adjustments to the Company’s depreciation reserve should be rejected.

In its MB, OCA asserts that Columbia did not present evidence indicating that OCA witness Mugrace’s reduction to Columbia’s depreciation reserve in an amount equal to the depreciation expense reduction proposed by OCA witness Garrett is inaccurate. OCA’s argument disregards the record to gloss over the fact that OCA witness Garrett and OCA witness Mugrace have failed to follow well-established procedure in Pennsylvania to develop a depreciation reserve. As Mr. Spanos explained, the proper procedure in Pennsylvania is to calculate accrual rates for each test year, and to use those accrual rates, applied to plant in service during that test year, to determine the book reserve for each test year.²⁴ OCA witnesses Garrett and Mugrace err because they use Columbia’s test year depreciation reserves, calculated using the ELG procedure, and simply subtract OCA’s depreciation expense amount from the Company’s reserve balance at the end of the FPFTY.²⁵ This is incorrect, and another reason to reject OCA’s proposed ASL adjustments.

²⁴ Columbia St. No. 5-R, p. 25.

²⁵ Columbia MB, p. 20.

C. ADDITIONS TO RATE BASE (OCA MB, SECTION IV E, PP. 51-52)

Columbia anticipated and responded to OCA’s proposed adjustments to Materials and Supplies and to Prepayments in its MB and will not repeat those arguments here.²⁶

D. DEDUCTIONS FROM RATE BASE

1. Accumulated Deferred Income Taxes (OCA MB, Section IV D, pp. 50-51)

OCA’s adjustment to Accumulated Deferred Income Taxes (“ADIT”) is based upon its proposed adjustments to rate base.²⁷ For the reasons stated in Sections IV A and B of Columbia’s MB and RB, OCA’s proposed ADIT adjustment should be rejected.

2. Consolidated Tax Adjustment (OCA MB, Section IV F, pp. 52-54)

OCA proposes to reduce Columbia’s rate base by \$2.26 Million for a Consolidated Tax Adjustment (“CTA”), arguing that “Columbia has not specifically identified how it (*sic*) the 50% differential would be used for general corporate purposes.”²⁸ OCA has chosen to ignore the law. As Columbia explained in its MB,²⁹ OCA’s specific argument was addressed and rejected in *Pa. P.U.C. v. UGI Utilities, Inc. – Electric Division* (“*UGI Electric*”):³⁰ “The statute does not require public utilities to provide specific information concerning how the amounts would be used.”³¹ OCA appealed the Commission’s determination, and the Commonwealth Court affirmed.³²

²⁶ Columbia MB, pp. 23-24.

²⁷ OCA MB, pp. 50-51.

²⁸ OCA MB, p. 52.

²⁹ Columbia MB, pp. 27-28.

³⁰ Docket No. R-2017-2640058 (Order entered Oct. 25, 2018).

³¹ *Id.*, Order at 152.

³² *McCloskey v. Pa. PUC*, 225 A.3d 192 (Pa. Cmwlth 2020).

OCA also fails to address the application of Section 1301.1(c)(1) of the Public Utility Code, which provides that the revenue use provisions cited by OCA do not apply after December 31, 2025. Columbia's claim is based upon a FPFTY ending December 31, 2026. Therefore, by the clear terms of the statute, the revenue use provisions are not applicable to Columbia's FPFTY.

For these reasons, and as more fully explained in Columbia's MB, OCA's adjustment is illegal and must be rejected.

V. REVENUES (I&E MB, SECTION V A-B, PP. 17-20)

In the Revenues section of its MB, I&E opposes Columbia's request for amortization of a regulatory asset that reflects the net loss on the sale of the Blackhawk Gas Storage Facility.³³ Columbia anticipated, and responded to, I&E's arguments concerning removal of Blackhawk's rate base, expenses and taxes components in this case as a result of the sale of Blackhawk during the pendency of this proceeding in Section VII N of its MB. Columbia explained that the update was made in this case per Columbia's commitment, in its direct case, to update the filing for Blackhawk if the sale was approved and consummated.³⁴ In addition, the update was made in this case to avoid future arguments that Columbia could not claim recovery of deferred costs if it waited to make a claim until a future case.³⁵ Columbia also responded to I&E's questions regarding the prudence of Columbia's feasibility study. Columbia explained that the study was

³³ I&E MB, pp. 19-20.

³⁴ Columbia MB, pp. 71-72.

³⁵ Columbia MB, p. 72 and fn. 235.

undertaken before the sale process in order to assess possible reuse of Blackhawk to maximize its potential sale value.³⁶ Columbia further explained that I&E's after-the-fact prudence analysis of the cost of the study compared to the actual sale price is impermissible hindsight review.³⁷ Finally, to avoid any ambiguity regarding Columbia's proposed amortization of a regulatory asset, Columbia makes clear that it does not propose to include the deferred loss in rate base.³⁸

I&E's objection to recovery of the loss on the sale of Blackhawk should be rejected.

VI. DEPRECIATION EXPENSE (OCA MB SECTION VI, PP. 55-88; OCA MB SECTION VII R, PP. 119-20)

The only party to challenge Columbia's depreciation expense claim in this proceeding is OCA.³⁹ OCA proposes two adjustments to depreciation expense. The first is a proposed disallowance of \$236,476 associated with OCA's proposed \$14.5 Million adjustment to Columbia's plant additions. Columbia's opposition to the proposed \$14.5 Million adjustment to plant additions is explained in Sections IV A of Columbia's MB and this RB.

OCA's second proposed adjustment is a \$45,802,423 reduction resulting from OCA's proposal to recompute annual depreciation accruals using the ASL procedure. Columbia anticipated and responded to many of OCA's contentions in Section VI of its MB and will endeavor not to repeat those responses here.

³⁶ Columbia MB, pp. 73.

³⁷ Columbia MB, p. 73 and fn. 239.

³⁸ Columbia St. No. 1-RJ, p. 4. There is a separate Blackhawk regulatory asset included in rate base and being amortized pursuant to a previous rate case settlement. *Id.*

³⁹ OCA MB, pp. 55-87, 119.

Most striking about OCA's arguments in favor of changing to the ASL procedure is the failure to even reference, let alone address, the harms that will result from the change. OCA's fixation on obtaining a one-time reduction to the rate increase proposed in this case leads it to ignore the critical harms that will manifest in future years. First, the change will result in higher, and continually increasing, rate base in the future and will result in increased rates to future customers in about 10 years compared to the continued use of the ELG procedure. Second, OCA's proposal will reduce internally-generated funds currently used by Columbia to help finance the \$350 Million to \$400 Million it spends annually on aged infrastructure replacement.⁴⁰ As this Commission observed when it began to approve the conversion of Pennsylvania utilities to straight line, remaining life, ELG depreciation:

... it is our opinion, and we so find, that in order for [Western Pennsylvania Water Company] and other water utilities in Pennsylvania to meet the challenges of providing safe and reliable water service currently and in the foreseeable future, a depreciation method must be employed that provides timely capital recovery and improves the water industry's level of internally-generated funds.⁴¹

The challenges of providing safe and reliable service are no less now. A \$45 Million reduction to internally-generated funds will force Columbia either to seek additional funds from the investment community to maintain its current pace of mains replacement, or extend its mains replacement pace to match funds that can be obtained from investors at a reasonable rate.

⁴⁰ Columbia St. No. 7-R, p. 5. Columbia has not paid dividends to its parent over the past ten years. Columbia St. No. 1-R, p. 18.

⁴¹ *Pa. P.U.C. v. Western Pennsylvania Water Co.*, ("WPWC") Docket No. R-842621 (January 28, 1985), Order at p. 64.

For reasons explained below and in Columbia’s MB, OCA’s proposal to change a depreciation method that has been used consistently in Pennsylvania for over 40 years should be rejected.

A. COMMISSION’S DISCRETION TO ADOPT A CHANGE IN DEPRECIATION METHOD (OCA MB, SECTION VI, PP. 55-88)

OCA spends a substantial portion of its MB to argue that the Commission has the authority to adopt a change in depreciation method.⁴² To be clear, Columbia has never disputed that the Commission has the authority to adopt properly supported changes to procedures used to determine depreciation expense and accrued depreciation. However, some perspective on the cases cited by OCA is in order.

OCA cites *Pa. Power & Light Co. v. Pa. PUC*,⁴³ *Pittsburgh v. Pa. PUC*,⁴⁴ and *Philadelphia v. Pa. Pub. Util. Comm’n*,⁴⁵ for the principle that the Commission is not bound by any particular methodology or procedure in determining annual depreciation expense. The quoted portions of these cases actually concern the estimation of accrued depreciation, which the Courts stated at the time was “essentially a judgment figure.” Importantly, at the time of these cases, the Commission used fair value ratemaking, rather than depreciated original cost, along with the whole life method of depreciation, rather than remaining life. Under the procedure in place at the time, the Commission did not rely upon the book reserve to determine accrued depreciation. Rather, it relied upon a “reserve

⁴² OCA MB, pp. 61-66.

⁴³ (“*Pa. Power & Light*”), 311 A.2d 151 (Pa. Cmwlth. 1973).

⁴⁴ (“*Pittsburgh*”), 222 A. 2d 395 (Pa. Super. 1966).

⁴⁵ (“*Philadelphia*”), 102 A. 2d 428 (Pa. Super. 1954).

requirement study” to estimate how much of plant had been used, or depreciated, and then computed the annual accrual to recover the undepreciated amount. As the Commonwealth Court observed in *Pa. Power & Light*: “It should be noted here and emphasized *that there is nothing in the law nor in any regulation of the PUC which requires any utility to record on its books the same annual depreciation which the PUC concludes is appropriate and reasonable in a rate case.*”⁴⁶

Since the time of these cases, the law and the depreciation processes of the Commission have substantially changed. Fair value ratemaking is no longer legal, as original cost of property must be included in rate base.⁴⁷ Accrued depreciation is no longer developed theoretically as a result of a study but instead uses book depreciation reserve.⁴⁸ The book reserve reflects annual depreciation accruals at the depreciation rates authorized by the Commission, less retirements, and adjusted for salvage and cost of removal.⁴⁹ Quite simply, it is no longer the case that a depreciation reserve is a “judgment figure.” Instead, it is a mathematically calculated amount reflecting a bring forward of the reserve when first established for ratemaking purposes. Contrary to OCA’s contentions, the Commission does not have unbridled discretion to abandon years of precedent and procedure to adopt new depreciation methods, without a substantial basis.

Also, with the adoption of straight line, remaining life depreciation, the Commission also approved the use of ELG in place of ASL. It is clear that the Commission knowingly

⁴⁶ *Pa. Power & Light*, 311 A.2d at 156 (emphasis in original).

⁴⁷ 66 Pa. C.S. § 1311(b).

⁴⁸ Columbia St. No. 5, p. 5.

⁴⁹ Columbia St. No. 5, p. 5.

adopted ELG as more reflective of the service lives of assets, as can be seen from *Pa. PUC*

v. Philadelphia Suburban Water Co.:

Another aspect of annual depreciation accruals is the level of specificity for subdividing a mass account. An account can be divided on a vintage basis, which is simply a grouping of assets by the year in which they were put in service. A vintage can be further subdivided by the ages which different groups of assets in the vintage will probably attain. *The equal life group ("ELG") method assumes, for a given estimated life of a mass group and a given vintage that: a certain percentage of the assets will be retired in the first year and should be depreciated 100% in that first year; another percentage of the assets will be retired in the second year and should be depreciated 50% in the first year; another percentage will retire in the third year and should be depreciated 33% in the first year, etc.* The practical effect of ELG as contrasted with other methods is to accelerate the recovery of capital.⁵⁰

B. THE ELG METHOD BETTER SUPPORTS INTERGENERATIONAL EQUITY THAN THE ASL METHOD (OCA MB, SECTION VI, PP. 55-88)

OCA argues that the ELG method creates intergenerational inequity. OCA cites *Re Minnegasco, Inc.* for the proposition that “[a]s a general rule, it is inequitable and economical [sic] unsound to ask one ‘generation’ of captive ratepayers to bear the cost of providing service to another.”⁵¹

However, OCA’s own example demonstrates that it is ASL, not ELG, that would have future customers bear the cost of providing service to current customers. At pages 74 to 75 of its MB, OCA provides a simplified example of depreciation under ELG and ASL. As that example demonstrates, ASL would require future customers to bear the

⁵⁰ (“*PSWC*”), 1986 Pa. PUC LEXIS 118, *14 (emphasis added).

⁵¹ OCA MB, p. 78.

depreciation expense burden for assets that have been retired and therefore *cannot* provide service to those future customers. Present customers, who used the asset before its retirement, avoid paying their fair share of the cost of assets that serve them. This is the epitome of asking one generation to bear the cost of providing service to another.⁵²

In a similar argument, OCA claims that the use of ELG violates the “matching” principle.⁵³ OCA is wrong. ELG better reflects the use of plant by generations of customers, is computed for the same plant in service as claimed in rate base and consistently matches the depreciation accrual and the depreciation reserve. In contrast, ASL mismatches service value of assets, as summarized by Columbia witness Spanos:

On page 13 of his Surrebuttal Testimony, OCA Witness Garrett uses a two unit example that misses some key elements of the matching principle. In the example, he has one unit lasting 4 years and the other lasting 8 years, so he develops a rate based on a dollar weighted average life of 6.4 years using the ALG procedure. Therefore, neither of the units are recovered consistently with how they are utilized. The ELG procedure will recover the 4-year asset over four years and the 8-year asset over eight years; the true meaning of intergenerational equity. However, OCA Witness Garrett ignores the fact that when depreciation is calculated with the ELG procedure, there is a combination of assets that are retired based on the survivor curve, so the precision of the ELG procedure matches recovery to utilization more accurately. The overall expense over the life of the account with either procedure will produce full recovery, but ELG matches recovery more accurately and ALG is a deferral method.⁵⁴

⁵² See also Columbia MB, pp. 32-35.

⁵³ OCA MB, pp. 76-78.

⁵⁴ Columbia St. No. 5-RJ, p. 4.

OCA's related claim that "annual depreciation expense is accelerated relative to accrued depreciation" is likewise erroneous.⁵⁵ As explained previously, the book reserve reflects the accumulation of annual accruals, computed under the straight line, remaining life, ELG procedure. The annual expense thus cannot be accelerated relative to the accrued reserve. In fact, as explained in Columbia's MB, it is this relationship of the reserve to annual accruals that is the reason why customer rates, over time, are lower with the use of ELG versus ASL.⁵⁶

C. DEPRECIATION PRACTICES IN OTHER JURISDICTIONS DO NOT JUSTIFY A SWITCH FROM THE ELG TO THE ASL METHOD (OCA MB, SECTION VI, PP. 55-88)

In support of its argument for a change in depreciation method, OCA asserts that most other jurisdictions use the ASL procedure.⁵⁷ However, as explained at pages 39 to 41 of Columbia's MB, other jurisdictions have substantial differences in depreciation procedure from that used in Pennsylvania and, therefore, offer little relevant guidance on what is the best procedure to use in Pennsylvania. What is clear is that Mr. Spanos, a depreciation expert with over 39 years of experience in numerous jurisdictions, believes that ELG is the most accurate depreciation method and would support that method in other jurisdictions:

[M]y approach is to conduct a depreciation study that includes parameters, procedures, methods that are most representative of those assets that is consistent with the requirements within the state jurisdiction. And if I was to - in the process of doing that agree - explain as part of the process to the utility what is

⁵⁵ OCA MB, p. 77.

⁵⁶ Columbia MB, pp. 37-38.

⁵⁷ OCA MB, pp. 82-85.

the most rational and systematic recovery pattern I would present that to that company and determine if that fits into the consistent strategic plan of the company. So you need to be able to understand what is accepted within the state jurisdiction. Will it create an intergenerational inequity in order to do that? And when you review that information you then present the depreciation study that is most representative. And in those other jurisdictions, if equal life group was the most appropriate way to reflect depreciation recovery based on what is accepted and what meets those client strategic plans that would be what I would do. Because as I mentioned in this case, the equal life group procedure is the most accurate procedure and that is why it's been consistently utilized in Pennsylvania because of the recovery patterns and how that is set forth.⁵⁸

OCA argues that to dispute the depreciation methods used in other jurisdictions amounts to claiming that these other jurisdictions are “authorizing inequitable depreciation rates.”⁵⁹ This is a false assertion. As explained by Mr. Spanos, other jurisdictions have other differences in depreciation methods from Pennsylvania beyond whether ELG or ASL are used, and this will affect the question of whether depreciation rates in other jurisdictions are “equitable.”⁶⁰ If “equity” is measured by the resulting composite depreciation rates in various jurisdictions, Mr. Spanos explained that even with the use of ELG, Columbia has a composite depreciation rate of 2.56%, within an industry range of 2.5% to 3.2%.⁶¹

⁵⁸ Tr. 344-45.

⁵⁹ OCA MB, p. 68.

⁶⁰ Tr. 330-39.

⁶¹ Tr. 346.

D. OCA’S OTHER CONTENTIONS SUPPORTING A CHANGE FROM THE ELG METHOD ARE WITHOUT MERIT (OCA MB, SECTION VI, PP. 55-88)

OCA asserts that the difference between the use of ELG and ASL represents about 58% of Columbia’s claimed rate increase.⁶² This contention gives a misleading impression that use of ELG is a major driver of Columbia’s rate increase. Columbia is not proposing a change in depreciation method to adopt ELG. ELG is no more a driver of the rate increase request than any of the base level of HTY expenses are a driver of the need for rate relief.

OCA contends that adoption of ASL for depreciation of all of Columbia’s assets would ensure reasonable consistency with Columbia’s current depreciation treatment of pre-1976 plant under the ASL procedure.⁶³ OCA’s contention is akin to the tail wagging the dog. Columbia has not used ASL for nearly 50 years. Most pre-1976 assets have either been retired or are mostly depreciated. As can be seen in Columbia Exhibit 109, Attachment B, little more than \$100 Million in original cost plant in service, out of \$5.1 Billion, is pre-1976 vintage plant, and most of that pre-1976 plant is either totally or substantially depreciated. “Consistency” does not justify a change in decades of depreciation procedure.

OCA also argues that conversion to ASL “simplifies and improves the Commission’s ability to monitor depreciation practices and capital planning for regulated utilities.”⁶⁴ OCA has offered no evidence that the Commission has experienced difficulties

⁶² OCA MB, p. 67.

⁶³ OCA MB, p. 69.

⁶⁴ OCA MB, p. 69.

with monitoring depreciation or capital planning. In fact, the Commission has adopted regulations mandating that fixed utilities submit both annual depreciation reports⁶⁵ and a capital investment plan report every five years.⁶⁶ The Commission has declared that the purposes of these reporting requirements is to “improve the Commission’s ability to monitor on a regular basis the depreciation practices and capital planning” of fixed utilities.⁶⁷

Finally, OCA claims that Columbia has attempted to shift the burden of proof to OCA regarding the continued use of the ELG procedure. Columbia has done no such thing. The record, as developed by Columbia, is clear that continued use of ELG is in the interest of customers and is the most accurate approach to calculating depreciation expense. However, Columbia’s burden does not include preparing OCA’s case for it. OCA was provided all the depreciation information necessary to compute its depreciation proposal.⁶⁸ OCA’s failure to properly compute the depreciation reserve, and annual depreciation expense, in accordance with established Pennsylvania procedure is not Columbia’s fault, nor should Columbia be expected to replicate OCA’s calculations to fix OCA’s errors.

The use of the straight-line, remaining life depreciation method, with the ELG procedure, has been a common and long-accepted depreciation process in Pennsylvania. OCA has not offered evidence to justify a change to the ASL procedure. The Company’s depreciation expense claim should be accepted.

⁶⁵ 52 Pa. Code § 73.5.

⁶⁶ 52 Pa. Code § 73.7.

⁶⁷ 52 Pa. Code § 73.1.

⁶⁸ See OCA Ex. DJG-17 through DJG-24.

VII. O&M AND A&G EXPENSES

Certain expenses have been challenged by I&E and OCA. Columbia will address those adjustments in the order in which they appear in Columbia's MB.

A. LABOR EXPENSE (OCA MB, SECTION VII B, PP. 91-94)

OCA has proposed a \$1,698,622 adjustment to Columbia's FPFTY Labor expense, based upon a claimed 4.3812% vacancy ratio. Incomprehensibly, OCA fails to consider that Columbia already adjusted its labor complement for vacancies, by using actual employees (authorized employees less vacancies). OCA's adjustment should be rejected.

OCA asserts that it used a three-year average of vacancies from 2022-2024 to compute a 62 employee average vacancy, which it then adjusted to 31 vacancies by applying the Company's 50.57% labor expense ratio.⁶⁹ The vacancies are the difference between authorized employees and actual employees.⁷⁰ The data used by OCA was derived from an interrogatory response provided by Columbia, which is included for the record as Columbia Exhibit JL-2R.⁷¹ That same exhibit provides the actual number of Columbia employees for the three years used by OCA.⁷² Throughout that period, Columbia's actual number of employees was consistently above the 715 actual employee count used to derive Columbia's pro forma labor expense, with the exception of several months in 2024 when the count was slightly below 715. The average number of actual employees for the HTY is more than 717.

⁶⁹ OCA MB, p. 92.

⁷⁰ Tr. 534.

⁷¹ The response was also identified for the record as Columbia Hearing Exhibit 1.

⁷² Columbia Ex. JL-2R, Attach. A.

Columbia does not dispute OCA's argument that pro forma labor should account for potential vacancies. The error in OCA's adjustment is that it applies a vacancy rate to a FPFTY claim that *already* is adjusted to reflect vacancies. OCA asserts that Columbia did not provide "sufficient evidence" that it will experience a vacancy rate of less than 4.3182%.⁷³ However, at the end of the HTY, Columbia had 715 actual employees. Its authorized employees were 787, with 72 vacancies.⁷⁴ Thus, by basing its labor expense claim on 715 actual employees, Columbia was effectively reflecting a vacancy rate of 4.6264% in its claim (72 vacancies divided by 787 authorized employees times 50.57% labor expense ratio). OCA's adjustment is a double-count of vacancies.

OCA argues that Columbia's position assumes that its number of filled positions will remain unchanged.⁷⁵ Columbia's position makes no such assumption. It only assumes that, on average, the number of employees (and number of vacancies) will match historic experience. OCA has offered no evidence to dispute that expectation, and no evidence to justify an assertion that Columbia's actual employee count will decline by 62 employees.

Finally, in presenting its labor expense adjustment, OCA asserts that its adjustment is \$1,698,606, which computes to a revenue requirement reduction (including the flow through of taxes) of about \$2,359,000.⁷⁶ OCA's revenue gross up is erroneous. OCA appears to derive its revenue gross up by multiplying its expense adjustment of \$1,698,606

⁷³ OCA MB, p. 83.

⁷⁴ Columbia Ex. JL-2R, Attach. A and B.

⁷⁵ OCA MB, p. 94.

⁷⁶ OCA MB, p. 94.

by the revenue gross up factor of approximately 1.387.⁷⁷ However, OCA appears to have forgotten that a pro forma expense adjustment at present rates increases taxable income, and thus increases current income tax expense. When the resulting net income adjustment is then grossed up, the result is to substantially zero out the revenue gross up with respect to expense adjustments (except for the gross up for uncollectibles). This erroneous calculation of revenue effect appears at various points throughout OCA's MB.⁷⁸

OCA's labor expense adjustment is improper for the reasons explained above and in Section VII of Columbia's MB and should be rejected.

B. OTHER EMPLOYEE BENEFITS (I&E MB, SECTION VII B, PP. 24-25; OCA MB, SECTION VII E, PP. 99-100)

I&E proposes an adjustment of \$1,161,324 to Other Employee Benefits expense. I&E's adjustment is based upon a benefits-to-payroll expense factor of 20%.⁷⁹ However, I&E failed to demonstrate that a 20% ratio is appropriate. As explained in Columbia's MB, the ratio that I&E used understates future costs because healthcare costs are rising at a faster rate than payroll costs.⁸⁰ I&E also fails to offer any explanation why it should be expected that FPFTY healthcare costs will decline by over \$350,000 from experienced HTY costs.⁸¹

The fallacy of I&E's 20% ratio is that it is derived from a three-year average ratio that demonstrates a consistent trend of rising healthcare costs in relation to payroll. A

⁷⁷ Columbia Ex. 102, Sch. 3, p. 5.

⁷⁸ OCA MB, pp. 101, 106, 111, 117, 118, 119

⁷⁹ I&E MB, p. 24.

⁸⁰ Columbia MB, pp. 45-46.

⁸¹ Columbia MB, p. 46.

three-year average might be an appropriate adjustment approach if annual ratios rise and fall over a period of years. However, that is not the case with healthcare costs. As Columbia demonstrated, the ratio of healthcare costs to payroll expense has risen over the past three years.⁸² The HTY ratio was 21.29%, and the experienced trend would more than justify the ratio of healthcare costs to payroll expense for the FPFTY.⁸³ For the reasons explained above and in Columbia’s MB, I&E’s proposed adjustment to Other Employee Expenses is improper and should be rejected.

OCA also proposes an adjustment to Other Employee Benefits expense.⁸⁴ OCA’s adjustment depends entirely upon its improper labor expense adjustment and should be rejected for the reasons explained in Section VII A of Columbia’s MB and RB.

C. CASH-BASED INCENTIVE COMPENSATION (OCA MB, SECTION VII D, PP. 97-99; OCA MB SECTION VII M, PP. 110-114)

OCA proposes to disallow \$1,798,195, or 70%, of Columbia’s \$2,568,807 in FPFTY expense for cash-based, short-term incentive (“STI”) awards.⁸⁵ OCA also proposes to disallow \$3,520,746, or 70%, of NiSource Corporate Services Company (“NCSC”) STI awards allocated to Columbia.⁸⁶

OCA correctly identifies the standards applied by the Commission to permit recovery of incentive compensation costs in rates, in particular that a financial metric

⁸² Columbia MB, p. 46.

⁸³ Columbia MB, p. 46.

⁸⁴ OCA MB, p. 99.

⁸⁵ OCA MB, pp. 94-97.

⁸⁶ OCA MB, p. 114.

component does not disqualify an incentive compensation claim.⁸⁷ However, immediately after citing the standard, OCA ignores it, and proposes to disallow 70% of STI awards because 70% of the metrics are financially based. OCA quotes its witness for the proposition that “it is clearly the responsibility of the Company to share in the burden of absorbing these costs.”⁸⁸ The Commission’s conclusion in *UGI Electric* is dispositive of OCA’s contentions:

Where, as here, the incentive program as a whole establishes that the employees’ eligibility to receive the benefit is based on performance duties and metrics directly related to the provision of service, the fact that the program includes a financial metric does not disqualify it from allowance as an expense for inclusion in the rate base.⁸⁹

Similarly, in *Pa. PUC v. PPL Electric Utilities Corp.* (“*PPL 2012*”),⁹⁰ OCA and I&E argued that half of incentive compensation costs should be disallowed because earnings per share performance and other financial measures impact shareholder value. The Commission rejected the adjustment.⁹¹

OCA further asserts that the financial metric portion of the STI is not necessary to provide adequate service to customers.⁹² However, the standard for recovery does not decide allowance based upon individual metrics, but rather through looking at the incentive

⁸⁷ OCA MB, pp. 95-96.

⁸⁸ OCA MB, p. 97.

⁸⁹ *UGI Electric*, p. 74.

⁹⁰ Docket No. R-2012-2290597 (Order entered Dec. 28, 2012), Order at pp. 25-26.

⁹¹ *Id.*

⁹² OCA MB, p. 97.

plan as a whole. Moreover, Columbia did explain that both financial and operational metrics are important to ensuring safe and reliable service:

Retaining and attracting talented individuals is critical to maintaining high quality of service, efficiency, and safety; therefore, offering STI rewards is an appropriate cost of providing reliable service to Columbia's customers. If the Company did not provide STI rewards, it would be at high risk of losing talent to competitors. The potential departure would create a loss of valuable skills and would have a significant financial impact in the form of turnover costs, including recruiting, relocation, and training costs. Failure to retain and attract experienced, skilled employees can adversely affect Columbia's ability to continue to provide safe and reliable service for its customers.⁹³

OCA's proposal to disallow a substantial portion of STI awards expense is improper and should not be adopted, for the reasons explained above and in Section VII C of Columbia's MB.

D. INCENTIVE COMPENSATION - STOCK REWARDS (OCA MB, SECTION VII D, PP. 97-99; OCA MB SECTION VII M, PP. 110-114; I&E MB, SECTION VII D, PP. 26-28)

In its MB, OCA proposes to disallow 70%, or \$528,112, in stock awards ("long-term incentive compensation" or "LTI") included as a Columbia expense in the FPFTY.⁹⁴ OCA's basis for partial disallowance of stock awards is no different from its basis for partial disallowance of cash-based incentive compensation. Columbia observes that, in its direct and surrebuttal case, OCA proposed to disallow 100% of Columbia's LTI,⁹⁵ and it appears from the tables included with OCA's MB that it disallows 100% of Columbia's

⁹³ Columbia St. No. 20-R, p. 7.

⁹⁴ OCA MB, p. 99.

⁹⁵ OCA St. No. 2, p. 21; OCA St. No. 2SR, p. 13.

LTI. Whether OCA's proposal is to disallow 100% or 70% of Columbia's LTI, OCA's position should be rejected for the reasons explained in Sections VII C above and in Columbia's MB.

I&E and OCA also propose to disallow 100% of NCSC allocated stock awards expense.⁹⁶ I&E argues that NCSC-allocated stock awards should not be allowed because they are linked to financial goals and targets. OCA similarly contends that customers should not pay for compensation which promotes NCSC's shareholder interests and growth. OCA further asserts that allocated LTI awards are not broken down by metric and therefore should be totally disallowed.⁹⁷

As explained in Columbia's MB, I&E's and OCA's descriptions of the standards for eligibility for stock awards misstates, or at best understates, the criteria regarding the grant of stock rewards.⁹⁸ Stock awards are not based solely on financial metrics such as earnings or stock price and, contrary to OCA's assertion, the criteria are clearly identified. Columbia demonstrated that approximately 20% of the criteria for receipt of a performance-based stock award are based upon important customer value goals, including operational excellence, safety, employee engagement, and environmental measures.⁹⁹ Thus, the provision of stock rewards benefits customers, as well as shareholders.

I&E's and OCA's positions fail to consider the Commission's standard for allowing full recovery of incentive compensation expenses. The standard is not whether the criteria

⁹⁶ I&E MB, pp. 26-27; OCA MB, pp. 111-12.

⁹⁷ OCA MB, p. 112.

⁹⁸ Columbia MB, p. 51.

⁹⁹ Columbia St. No. 20-R, pp. 5-6; Columbia Ex. WH-3R, p. 5.

for an award are “mainly of benefit to shareholders.”¹⁰⁰ Rather, the standard is “whether the incentive compensation program, as a whole, includes both financial and operating metrics and goals which benefit customers.”¹⁰¹ This includes stock-based incentive compensation.¹⁰²

The Company has shown that there are meaningful customer benefits that flow from its incentive compensation program in general, and its stock awards program in particular. For reasons explained above and in Section VII D of Columbia’s MB, OCA’s and I&E’s proposed adjustments to LTI should be rejected.

E. INFLATION/DEFLATION ADJUSTMENTS (OCA MB SECTIONS VII A, F-L, PP. 39-91, 100-110)

Columbia increased two expense categories, Corporate Insurance and Injuries and Damages, by the Gross Domestic Product Implicit Price Deflator (“GDP Price Deflator”). Columbia adjusted downward five expense categories, Outside Services, Employee Expenses, Company Memberships, Utilities and Company Use Gas and Advertising, to increase the amounts being removed for non-recoverable expense adjustments.

OCA cites to *PGW 2023*¹⁰³ for the proposition that blanket inflation adjustments should not be allowed. However, *PGW 2023* is distinguishable. In that case, Philadelphia Gas Works (“PGW”) sought to adjust 20% of its expense claims for inflation, with no

¹⁰⁰ I&E MB, p. 27.

¹⁰¹ *Pa. PUC v. UGI Utilities, Inc. – Electric Division*, (“*UGI Electric*”), Docket No. R-2017-2640058 (Order entered Oct. 25, 2018), Order at pp. 73-74.

¹⁰² Columbia MB, pp. 51-52.

¹⁰³ *Pa. PUC v. Phila. Gas Works*, Docket No. R-2023-3037933 (Order entered Nov. 9, 2023) (“*PGW 2023*”).

evidence that the expenses subject to the adjustment were necessarily affected by inflation. Columbia, in contrast, limits the use of the GDP Price Deflator to increase expenses in two cost categories that in total represent just over 2% of Columbia's FPFTY expenses.¹⁰⁴ Columbia's inflation adjustment has been used in a targeted manner, to recognize that inflation will increase expenses over pro forma HTY levels. Furthermore, OCA fails to recognize that the Commission has, in fact, consistently accepted general price adjustment factors applied to expenses not separately adjusted, where the utility has demonstrated the adjustments are adequately supported and relatively conservative.¹⁰⁵

For these reasons, and as more fully explained in Section IV C 1 of this brief, OCA's proposed inflationary/deflationary adjustments should be denied.

F. RATE CASE EXPENSE (I&E MB, SECTION VII A, PP. 21-24; OCA MB, SECTION VII O, PP. 115-17)

I&E recommends an allowance of \$731,372 for rate case expense.¹⁰⁶ This reflects two proposed adjustments. First, I&E argues that rate case expense should be normalized over a 16-month period, based upon the filing interval of Columbia's last four base rate cases. Second, I&E proposes to allow only 73.82% of Columbia's claimed rate case expense of \$1,321,000 based upon the Company's spending in its last litigated case in 2020. Both adjustments should be rejected for reasons explained in Section XII Section F of Columbia's MB. In particular, the magnitude of the issues presented in this case, as

¹⁰⁴ See Columbia Ex. 104, Sch. 1, p. 4.

¹⁰⁵ Columbia MB, p. 22 and fn. 58.

¹⁰⁶ I&E MB, p. 22.

demonstrated by the nearly 900 pages of main briefs submitted by parties, dictates against basing rate case expense upon a single experience five years ago.

OCA proposes to normalize rate case expense over a 14-month period.¹⁰⁷ Although OCA's position is more reasonable than I&E's position, as it is more reflective of Columbia's rate case frequency, a 12-month normalization period should be adopted for reasons explained in Columbia's MB.¹⁰⁸

Columbia's claimed rate case expense should be adopted, including a 12-month normalization period.

G. OUTSIDE SERVICES (OCA MB, SECTION VII F, PP. 100-01)

OCA proposes a \$1,444,261 reduction to Columbia's FPFTY Outside Services expense.¹⁰⁹ OCA derives its adjustment by computing an average percentage reduction in Outside Services expense for the periods 2021 through 2024, and applying that percentage (8.57%) to the Company's HTY Outside Services expense.¹¹⁰

OCA argues that Outside Services costs vary year to year, and thus it is appropriate to use a three-year average to establish this expense. The fundamental flaw in OCA's adjustment is that it uses a three-year average of percentage changes to expense, and not a three-year average of expense, to derive its adjustment. If OCA had used a three-year average of expense, it would have derived a pro forma expense of \$22.1 Million, an amount

¹⁰⁷ OCA MB, pp. 115-117.

¹⁰⁸ Columbia MB, Section VII F.

¹⁰⁹ OCA MB, pp. 100-101. This adjustment is separate from the inflation-related adjustment explained in Section VI E of this brief.

¹¹⁰ OCA St. No. 2, pp. 25-26.

above Columbia's pro forma claim.¹¹¹ Percentage changes distort results, and in this case produce the absurd result that Columbia's pro forma FPPTY Outside Services expense will be below its pro forma HTY expense. As explained in Columbia's MB, Columbia undertook rigorous cost containment efforts in prior years to produce savings by identifying process efficiencies, better aligning resources, and reassessing vendor contracts.¹¹² It is unreasonable to take those efforts and through averaging of percentage changes conclude that further cost reductions can be obtained in the future.

For reasons explained above and in Section VII F of Columbia's MB, OCA's adjustment should be rejected.

H. EMPLOYEE EXPENSES (OCA MB, SECTION VII I, PP. 102-05)

OCA proposes two adjustments to Employee Expenses.¹¹³ First, OCA proposes to remove \$21,524 from Employee Expenses – Other related to employee gifts and entertainment. Second, OCA proposed to remove 50%, or \$24,083, from Meals and Entertainment. OCA's continued adjustments are duplicative and improper.

As explained in Columbia's MB, following review of OCA's Employee Expenses adjustment in its MB, Columbia agreed with OCA witness Mugrace that all amounts reflected in Employee Expenses – Other should be removed from the claim.¹¹⁴ Columbia identified that \$187,628 of its total non-recoverable expense adjustment of \$198,554 was

¹¹¹ Columbia Ex. GAS-RR-052, Attachment A [(\$23,244,372+\$25,608,015+\$17,480.881) / 3].

¹¹² Columbia MB, p. 56.

¹¹³ OCA MB, pp. 102-05.

¹¹⁴ Columbia St. No. 4-R, p. 17.

for Employee Expenses – Other. Therefore, Columbia reflected a further adjustment of \$32,450 to remove all remaining Employee Expense – Other costs.¹¹⁵ This adjustment is reflected in the Company’s final claimed revenue allowance in the case.¹¹⁶ Therefore, OCA’s first adjustment of \$21,524 is redundant.

OCA’s Meals and Entertainment adjustment is improper. This adjustment proceeds from the premise that employee entertainment expense should not be recovered in rates. Columbia agrees with this premise. However, in its direct case and in rebuttal, Columbia identified that \$10,926 of non-recoverable entertainment costs were incurred, based upon a review of actual HTY expenses.¹¹⁷ This amount is already part of the original \$198,554 that Columbia removed as non-recoverable expense. No further adjustment is appropriate.

I. COMPANY MEMBERSHIPS (OCA MB, SECTION VII J, PP. 105-07)

OCA describes its proposed Company Memberships disallowance as removal of chamber of commerce dues.¹¹⁸ Unaddressed by OCA is its proposed disallowance of utility industry association dues, in particular Energy Association of Pennsylvania (“Energy Association”) dues. Energy Association dues comprise \$116,036 of OCA’s \$258,217 disallowance and Southern Gas Association (“SGA”) dues represent another \$5,540.¹¹⁹ OCA offers no justification for disallowing Energy Association and SGA dues, while allowing American Gas Association (“AGA”) dues. The Energy Association and SGA are

¹¹⁵ Columbia St. No. 4-R, p. 17.

¹¹⁶ Columbia Ex. JV-1R, p. 6.

¹¹⁷ Columbia St. No. 4-R, p. 17.

¹¹⁸ OCA MB, p. 106.

¹¹⁹ Columbia Ex. JV-5R, p. 5.

state level industry organizations that benefit Columbia and its operations, as explained in Columbia's MB Section VII I and Columbia Exhibit JV-5R, at page 6. OCA's disallowance of industry association dues is unwarranted.

With respect to chamber of commerce dues, OCA continues to unjustifiably equate chambers with fraternal, social or sports clubs, whose dues may not be recovered in rates.¹²⁰ OCA further asserts that Columbia offered no evidence of the benefit to customers from chamber memberships. OCA ignores the record. As explained in Columbia's MB Section VII I and Columbia Exhibit JV-5R, at pages 6 through 9, Columbia offered substantial evidence on the reasons for membership in local chambers and the benefits provided to customers in areas such as economic development, workforce recruitment, and infrastructure replacement. OCA further asserts that Columbia has not explained "why it could not develop partnerships with local businesses or be attuned to local issues if it does not record these dues above the line."¹²¹ One could speculate that there are various expenses that could be incurred and recorded below the line. However, where the expense provides benefits to customers by enabling Columbia to operate more effectively in the territories in which it serves, it is improper to disallow the expense.

The Commission previously has allowed recovery of chamber of commerce dues in rates. In its 1994 rate case, Pennsylvania American Water Company ("PAWC") included expenses related to membership in local chambers of commerce. The OCA argued that the dues associated with these specific organizations were connected to lobbying and thus

¹²⁰ OCA MB, p. 106.

¹²¹ OCA MB, p. 106.

unnecessary, and proposed adjustments for dues related to these organizations. The ALJ took the Company's position with respect to the local chambers of commerce dues, stating that he did not discern a forbidden activity under Section 1316 of the Public Utility Code, 66 Pa. C.S. § 1316, and agreeing with the Company that local memberships are a proper part of the Company's relationship with the communities in which it serves customers.¹²² The Commission adopted the recommendation of the ALJ with respect to the Company's dues to local chambers of commerce. The Commission stated, "these memberships can be viewed as part of a utility's economic development efforts. The memberships also provide essential sources of information about trends in growth and industrial and business activity which have an impact on current and future water demands."¹²³

The issue arose again in Columbia Water Company's ("Columbia Water") 2008 rate case, wherein it claimed expenses related to membership in the Lancaster and Susquehanna Valley Chambers of Commerce. OCA argued that the Commission should disallow these expenses because they are similar to lobbying activities and do not provide direct benefits to ratepayers. The ALJ found in favor of Columbia Water, concluding that the dues were not for lobbying expenses, nor were they similar to lobbying expenses. The Commission agreed with the ALJ, finding in favor of Columbia Water and noting that Columbia Water's

¹²² *Pennsylvania Pub. Util. Comm'n, et al. v. Pennsylvania-American Water Company*, Docket Nos. R-00943231 *et al.*, 1995 Pa. PUC LEXIS 170, at *44 (Order Dated July 24, 1995).

¹²³ *Id.* at *45.

position on this issue was consistent with prior Commission decisions, citing *PAWC 1995*.¹²⁴

Based on the foregoing and as explained in Columbia's MB at Section VII I, OCA's proposed disallowance of membership dues to industry organizations and chambers of commerce should be rejected.

J. MATERIALS AND SUPPLIES EXPENSE (OCA MB, SECTION VII M, PP. 108)

OCA proposes a \$558,615 adjustment to Materials and Supplies Expense.¹²⁵ In Section VII M of its MB, Columbia anticipated and responded to OCA's arguments, and will endeavor to avoid repetition of those explanations.

OCA's adjustment proposes to use a three-year average of expense for Subaccount 2020 – Facilities, Maintenance Repair and Materials. This was proposed based upon a large increase to the subaccount in 2024. As Columbia explained, the large increase in this expense was due to an accounting change that occurred in 2024. An expense that was previously recorded as an Outside Services expense was recorded to Subaccount 2020 in 2024. This geography mapping change is not a basis to disallow the expense. No party has challenged the reasonableness of the expense, and a change to the Company's accounting should not be used to support a disallowance.

¹²⁴ *Pennsylvania Pub. Util. Comm'n, et al. v. The Columbia Water Company*, Docket Nos. R-2008-2045157 *et al.*, 2009 Pa. PUC LEXIS 1423, at *59-60 (Order Entered June 10, 2009).

¹²⁵ OCA MB, p. 108. OCA states in its MB that it is supporting "an allowance of \$558,615" but later states that it is proposing an adjustment of \$558,615.

OCA fails to consider that Columbia’s FTY and FPFTY budgets already were substantially adjusted downward from the HTY actual level for Materials and Supplies expense. The FPFTY budget for Material and Supplies is \$6,084,272, which is nearly \$1.6 Million less than the HTY actual expense of \$7,687,836.¹²⁶ The FPFTY budget is also substantially lower than the actual expenses incurred for Materials and Supplies for the twelve months ended November 30, 2022 (\$7,173,526) and November 30, 2023 (\$6,675,962). Further adjustment to the budget is unwarranted. OCA’s adjustment is unfair and should be rejected.

K. SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN (OCA MB, SECTION VII M 2, P. 113)

OCA proposes to disallow Supplemental Executive Retirement Plan (“SERP”) costs, claiming that the costs do not benefit customers.¹²⁷ Columbia anticipated, and responded to, OCA’s arguments in Section VII K of its MB. OCA’s proposed disallowance should be denied.

L. WORKPLACE CONNECTIONS (OCA MB, SECTION VII N, PP. 114-15)

OCA proposes to disallow \$130,450 in costs for three employees who work in the NiSource Workforce Connections team.¹²⁸ OCA witness Mugrace contended that costs “which seek to promote the fair treatment and full participation of all people who have been subject to discrimination” do not benefit customers.¹²⁹ In its MB, OCA attempts to

¹²⁶ Columbia Ex. 104 Sch. 1, p. 4, column 3; Columbia Ex. 4, Sch. 1, p. 2, Column 3.

¹²⁷ OCA MB, p. 113.

¹²⁸ OCA MB, pp. 114-15.

¹²⁹ *Id.*

walk back this position, arguing that it “supports DEI initiatives”¹³⁰ but claims that Columbia did not provide “metrics” to demonstrate value to customers.¹³¹

As the Commission has observed: “Diversity is an economic reality that public utilities should include in their corporate strategies now and in the future.”¹³² Columbia should not have to prove this economic reality or the benefits of a Workplace Connections team whose job is to find and attract top talent and retain that talent through a workplace culture that accommodates diversity.

For the reasons explained above and in Section VII L of Columbia’s MB, OCA’s proposed disallowance of Workplace Connections costs should be rejected.

M. RECOVERY OF ENERGY ASSISTANCE TEAM COSTS (OCA MB, SECTION VII Q, P. 118)

OCA asserts that it proposes to disallow \$220,000 from Rider USP recovery “based on Mr. Colton’s testimony.”¹³³ However, OCA ignores its witness Colton’s own testimony. As explained in Section VII M of Columbia’s MB, OCA witness Colton’s testimony challenges recovery of Energy Assistance Team (“EAT”) costs through Rider USP, and proposes that recovery continue through base rates. OCA’s adjustment denies any recovery of EAT costs.¹³⁴

¹³⁰ DEI stands for diversity, equity, and inclusion.

¹³¹ OCA MB, p. 118.

¹³² *Statement of Policy on Diversity at Major Jurisdictional Utility Companies*, 52 Pa. Code § 69.801.

¹³³ OCA MB, p. 118.

¹³⁴ See OCA MB, Appendix A, Table II.

There can be reasoned disagreement regarding the mechanism for recovery of EAT costs; however, there is no evidence to support disallowance of recovery entirely. For these reasons, and as more fully explained in Section VII of Columbia's MB, OCA's proposal to disallow any recovery of \$220,000 of EAT costs is unsupported and must be denied.

N. BLACKHAWK

Columbia has responded to I&E's position on Blackhawk in Section V of this RB.

O. OTHER RENTS AND LEASES (I&E MB, SECTION VII C, PP. 25-26)

I&E proposes a \$70,437 reduction to Other Rents and Leases expense.¹³⁵ I&E proposes to use the actual HTY expense.

Columbia's FPPTY claim for Other Rents and Leases reflected adjustments for anticipated cost increases driven by inflation. Columbia has explained, in Section VII E of its MB and this RB, why it is appropriate to reflect inflation adjustments for certain expenses and I&E's proposed reduction should be rejected.

P. INTEREST ON CUSTOMER DEPOSITS (I&E MB, SECTION VII 3, P. 28)

I&E proposes a reduction of \$46,638 to Interest on Customer Deposits.¹³⁶ As explained in Columbia's rebuttal testimony, the Company accepted this adjustment and reflected it in its final claim in this case.¹³⁷ Because the adjustment is already reflected in Columbia's pro forma expenses, no additional adjustment to this expense should be made.

¹³⁵ I&E MB pp. 25-26.

¹³⁶ I&E MB p. 28.

¹³⁷ Columbia St. No. 4-R, p. 4; Columbia Ex. JV-1R, p. 6, Line 28.

Q. UNCOLLECTIBLE EXPENSE (OCA MB, SECTION VII P, PP. 117-18)

OCA identifies an Uncollectible Expense adjustment of \$488,873.¹³⁸ The adjustment is accounted for through the revenue conversion factor of 1.38698, which is the same revenue conversion factor (rounded) used by Columbia.¹³⁹ No separate Uncollectible Accounts expense adjustment has been proposed.

VIII. TAXES

A. TAXES OTHER THAN INCOME TAXES (OCA MB, SECTION VIII B, PP. 122-23)

The only proposed adjustments to Taxes Other Than Income Taxes are to payroll taxes associated with proposed labor and incentive compensation adjustments proposed by OCA. As the adjustments to labor and incentive compensation should be denied, as explained in Sections VII A and C of Columbia's MB and RB, the proposed payroll tax adjustments also should be denied.

B. INCOME TAXES

No party has proposed disallowance of Income Tax expense, other than as related to their respective other adjustments to rate base, expenses, and return.¹⁴⁰

¹³⁸ OCA MB, p. 117.

¹³⁹ Columbia Ex. 102, Sch. 3, p. 5.

¹⁴⁰ In rebuttal testimony, Columbia Witness Ms. Harding questioned certain calculations of the income tax expense adjustment presented by OCA Witness Mugrace. In surrebuttal, Mr. Mugrace accepted the formulaic corrections.

IX. RATE OF RETURN

A. INTRODUCTION (OCA MB, SECTION IX; I&E SECTION IX)

Three parties have presented positions on rate of return: Columbia, I&E, and OCA.¹⁴¹ These positions are as follows:

Party	Return on Equity	Overall Rate of Return¹⁴²
Columbia	11.35%	8.55%
I&E	10.51%	8.10%
OCA	8.90%	7.06%

A substantial part of the difference between Columbia's and I&E's return on common equity positions is that I&E does not include any management performance adder in its number. If 25 basis points were added to I&E's return on equity, its recommendation would be 10.76%.

OCA's grossly inadequate proposed rate of return is presented in the context of its proposal to adopt a hypothetical capital structure with a higher percentage of debt (but no higher debt cost rate) than the Company's projected actual capital structure. This change effectively reduces the return on equity that Columbia would have an opportunity to achieve to a level below what OCA displays in its tables. At Columbia's actual capital

¹⁴¹ CAUSE-PA, in its MB, supports the OCA's rate of return position, but presented no rate of return analysis in testimony.

¹⁴² Positions are as presented in tables attached to parties' MBs.

structure ratio and OCA’s overall rate of return of 7.06%, Columbia would be provided an opportunity to earn a return on common equity of only 8.60%, not 8.90%:

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%	8.60%	<u>4.68%</u>
			7.06%

OCA’s addition of hypothetical debt in the capital structure also creates greater hypothetical income tax deductions, and thus lower income tax expense, for ratemaking purposes. As a result, the return on equity that Columbia will be provided an opportunity to receive, under OCA’s hypothetical capital structure, will be even less than the 8.60% computed above.

As explained in Section IX A of Columbia’s MB, and as further explained below, the Commission should demonstrate its continued support for investment in plant to replace aging infrastructure through a proper rate of return. The Commission should reject the grossly inadequate return proposed by OCA, as well as the insufficient return proposed by I&E. In particular, OCA’s return on equity is well below the 10.25% return on equity recently authorized for gas utilities for Distribution System Improvement Charge (“DSIC”) purposes,¹⁴³ and would signal to the investment community that the Commission has pulled back its support for gas safety investment. It defies rational thinking that Columbia would

¹⁴³ Columbia MB, p. 9.

be authorized to receive a less than 9% return on common equity for FPFTY plant investments, while other gas companies earn 10.25% on capital improvements eligible for recovery through the DSIC.

B. CAPITAL STRUCTURE RATIOS (OCA MB SECTION IX C, P. 126; CAUSE-PA MB SECTION IX, PP. 33-39)

The only parties to challenge Columbia's capital structure are OCA and CAUSE-PA. Columbia has reflected in the case its projected actual FPFTY capital structure of 54.4% common equity, 43.28% long-term debt, and 2.32% short-term debt.¹⁴⁴ OCA and CAUSE-PA propose a hypothetical capital structure comprised of 50% common equity and 50% debt.¹⁴⁵

As explained in Columbia's MB, OCA's and CAUSE-PA's proposals to adopt a hypothetical capital structure are contrary to long-standing Commission precedent that the choice of capital structure is within the discretion of utility management and is not to be changed absent proof that the capital structure is atypical or outside a range of reasonableness.¹⁴⁶

Neither OCA nor CAUSE-PA offer an argument that Columbia's capital structure is atypical or outside a range of reasonableness as defined by substantial Commission precedent. OCA's and CAUSE-PA's sole legal citation is to a 1958 Superior Court case which held that the actual capital structure of a wholly owned subsidiary *might* be unfair

¹⁴⁴ Columbia St. No. 8, p. 43.

¹⁴⁵ OCA MB, p. 126; CAUSE-PA MB, pp 36-38.

¹⁴⁶ Columbia MB, pp. 82-85.

to the utility or to customers.¹⁴⁷ However, the *Riverton* decision is not contrary to long-established Commission precedent. The Commission recognizes that, for any utility, a capital structure that is atypical or outside a range of reasonableness may be replaced with a hypothetical capital structure.

Columbia conclusively demonstrated that its actual capital structure is not atypical or outside a range of reasonableness. As the Commission has made clear in the many cases cited in Columbia's MB, including Columbia's 2021 rate case,¹⁴⁸ the standard for determining whether a capital structure is atypical is whether the capital structure falls outside the range of capital structures of the barometer group.¹⁴⁹ Columbia's capital structure falls squarely within the range of the gas proxy barometer groups used in this proceeding.¹⁵⁰ OCA's own rate of return witness admitted that two of his six proxy group companies have lower debt, and thus higher equity, ratios than Columbia's actual capital structure.¹⁵¹

OCA also references the average capital structure of industries other than regulated natural gas utilities.¹⁵² This information is not relevant. The capital structures of non-regulated entities, and the capital structure ratios of other utility industries, does not establish a typical capital structure for natural gas companies. Moreover, OCA's data is

¹⁴⁷ OCA MB, p. 125; *Riverton Consol. Water Co. v. Pa. PUC*, 140 A.2d 114 at 121 (Pa. Super. 1958) ("*Riverton*").

¹⁴⁸ *Pa. PUC, et al. v. Columbia Gas of Pa.*, Docket No. R-2020-3018835, (Order entered Feb. 19, 2021) ("*Columbia 2021*").

¹⁴⁹ Columbia MB, pp 83-84.

¹⁵⁰ Columbia MB, pp 81-82.

¹⁵¹ Tr. 523; OCA Ex. DJG-13.

¹⁵² OCA MB, p. 125.

again based upon averages, and not typical ranges, and thus is inconsistent with the legal standard established by the Commission.

CAUSE-PA contends that the Commission has “discretion” to adopt a different capital structure.¹⁵³ However, the Commission does not have unbridled discretion. There are long-established, and recently reaffirmed,¹⁵⁴ standards for when the Commission may override management decisions on capital structure, and to disregard those standards would be an abuse of discretion.

Columbia’s management has chosen to maintain a financial profile that will enable it to obtain the necessary financing to continue its infrastructure replacement program. That financial profile is within the range of capital structure ratios of the proxy groups presented in this proceeding. OCA’s proposed hypothetical capital structure must be rejected.

C. RETURN ON COMMON EQUITY

1. Columbia’s Cost Rate for Common Equity Capital

a. Criticisms of Columbia Witness Mr. Rea’s Consideration of Results for Three Separate Barometer Groups (OCA MB, Section IX B, pp. 124-26)

OCA argues that it is not necessary to perform cost of equity analyses on proxy groups other than the Gas LDC Group.¹⁵⁵ Although in testimony I&E criticized Columbia

¹⁵³ CAUSE-PA MB, p. 38.

¹⁵⁴ *Pa. PUC v. Pennsylvania-American Water Company*, (“PAWC 2024”) Docket No R-2023-3043189 (Order entered July 22, 2024), Order at pp. 157-60.

¹⁵⁵ OCA MB, p. 124.

witness Rea’s consideration of rate of return analyses for proxy groups other than the Gas LDC Group, it offered no argument on this issue in its MB.

In this case, the presentation of analyses for the Combination Utility Group and the Non-Regulated Group produced estimates virtually identical to the Gas LDC Group, providing support for the reasonableness of the results for the Gas LDC Group. While, for purposes of this proceeding, the results for these separate proxy groups do not change Mr. Rea’s recommendation, and the Commission should consider the results from these other proxy groups in assessing the reasonableness of the rate of return authorized in this proceeding. As Mr. Rea explained:

. . . the foregoing circumstances in the instant proceeding is the exception rather than the rule. Considering that the various financial and/or market data inputs into the cost of equity models can be vulnerable to observation error, employing the largest comparable risk proxy group possible can significantly improve the statistical reliability of a study’s analytical results. The use of larger proxy groups also ensures that a greater diversity of investor perspectives is incorporated into the cost of capital evaluation process. For the foregoing reasons, I elected to evaluate a total of 25 comparable-risk companies in my evaluation.

Notably, OCA Witness Garrett has not evaluated any complementary proxy groups in this proceeding, and simply states that “[i]n my opinion, it is not necessary to perform cost of equity analyses on a proxy group beyond the Gas LDC Group.”¹⁵⁶ Yet, just one page earlier in his Direct Testimony, Mr. Garrett states “....using a proxy group provides more reliability and confidence in the overall results because there is a larger sample size.”¹⁵⁷ Clearly, referencing multiple

¹⁵⁶ Direct Testimony of David J. Garrett, Docket No. R-2025-3053499 (June 18, 2025), at p. 12.

¹⁵⁷ *Id.* at 11.

comparable-risk proxy groups does in fact increase the sample size.¹⁵⁸

Further, it is important to recognize that the Combination Utility Group and the Non-Regulated Group, as selected by Mr. Rea, are comprised of companies that display comparable risk to the Gas LDC Group. Over the past decade, the average authorized returns on equity for electric utilities have been about 2.5 basis point higher than that granted to gas utilities.¹⁵⁹ Risk measures used by Mr. Rea demonstrate that the Combination Utility Group and the Non-Regulated Group are comparable, and to some extent slightly less risky, than the Gas LDC Group.¹⁶⁰ Consideration of these other groups is consistent with the Supreme Court's *Bluefield* decision.¹⁶¹ Other parties' objections to the consideration of results from proxy groups other than the Gas LDC Group should be rejected.

b. Criticisms of the Makeup of Columbia's Gas LDC Group (I&E MB, Section IX B, pp. 34-37)

As explained in Columbia's MB, Columbia witness Rea used a group of six gas companies as his Gas LDC Group.¹⁶² OCA used the same proxy group. However, I&E witness Patel excluded one company, Southwest Gas Holdings, Inc., and added two companies, Chesapeake Utilities Corp. and New Jersey Resources Corp., to Mr. Rea's Gas LDC Group to create his barometer group.¹⁶³ In this proceeding, the selection of companies

¹⁵⁸ Columbia St. No. 8-R, p. 80.

¹⁵⁹ Columbia St. No. 8-R, p. 82.

¹⁶⁰ Columbia St. No. 8-R, p. 85.

¹⁶¹ Columbia MB, p. 93.

¹⁶² Columbia MB, p. 89-90.

¹⁶³ I&E St. No. 2, p. 14.

to include in the proxy group as between Mr. Patel and Mr. Rea, standing alone, does not have a material impact upon the DCF results. As explained by Mr. Rea, if I&E witness Patel had used Mr. Rea's Gas LDC Group rather than his gas proxy group, Mr. Patel's DCF estimate of Columbia's cost of equity would be approximately 11 basis points higher.¹⁶⁴

I&E opposes Columbia's inclusion of Southwest Gas Holdings in the barometer group. I&E argues that this company should be excluded because its regulated revenues are less than 50% of its total revenues. However, as explained in Columbia's MB, percentage of revenues is an incorrect criterion in this instance because it fails to consider how Southwest Gas Holding obtains its operating income. Southwest Gas Holdings derives approximately 85 percent of its consolidated operating income from the company's regulated gas utility operations.¹⁶⁵ A company that receives an overwhelming percentage of its operating income from regulated gas utility operations is a gas utility.

I&E's addition of Chesapeake Utilities Corp. and New Jersey Resources Corp. to Columbia's Gas LDC Group is flawed, for several reasons. As explained in Columbia's MB,¹⁶⁶ Chesapeake Utilities has not been assigned long-term credit ratings by either S&P or Moody's and derives less than 35 percent of its consolidated net income from its gas distribution operations. The lack of long-term credit ratings makes it very difficult to conduct a proper risk assessment of Chesapeake Utilities relative to Columbia and the other proxy group companies.¹⁶⁷ Similarly, New Jersey Resources derives only 45 percent of its

¹⁶⁴ Columbia St. No. 8-R, pp. 15-16.

¹⁶⁵ Columbia MB, p. 91.

¹⁶⁶ Columbia MB, pp. 90-91.

¹⁶⁷ Columbia St. No. 8-R, p. 14.

consolidated operating income from gas distribution operations, while the remainder of its operating income is derived from the company's Clean Energy, Energy Services and Storage and Transportation business segments.¹⁶⁸ Columbia acknowledges that, in prior cases, the Commission has accepted percentage of revenues as an appropriate screen for developing a proxy group. Columbia requests that the Commission reconsider that standard, and consider percentage of operating income as an appropriate screen.

c. Criticisms of Columbia's Use of Multiple Models to Derive the Cost of Equity Recommendation (I&E MB, Section IX F, pp. 41-42; OCA MB, Section IX D, pp. 126-141)

I&E and OCA criticize Mr. Rea's use of four different models - Discounted Cash Flow ("DCF"), Capital Asset Pricing Model ("CAPM"), Empirical CAPM ("ECAPM") and Risk Premium ("RP") - to develop his cost of common equity recommendation.¹⁶⁹ The Commission should not constrain its consideration to one or two cost of equity models.

I&E asserts that it is opposed to giving considerable weight to the CAPM, ECAPM and RP models. I&E argues that these models measure cost of equity indirectly and can be manipulated by the time period chosen.¹⁷⁰ I&E's position stems from the inaccurate belief that the DCF method is unbiased and without flaws. Columbia witness Rea explained the flaw in this thinking:

It should be noted that although the cost of equity cannot be directly observed, it can be estimated using a variety of analytical models, each of which attempt to explain and/or predict investor behavior. However, since investor expectations often differ and investors rely on a variety of

¹⁶⁸ Columbia St. No. 8-R, p. 14.

¹⁶⁹ I&E MB, p. 41; OCA MB, p. 141.

¹⁷⁰ I&E MB, p. 41.

information sources and financial models to make their investment decisions, no single analytical model can possibly capture the broader universe of investor expectations. Moreover, each financial model has its own practical shortcomings, either in the form of rigid underlying assumptions or required model inputs which are dependent upon the subjective judgment of the analyst. For these reasons, in *The Cost of Capital - A Practitioner's Guide*, Parcell presents a compelling argument for the use of a variety of analytical methods in estimating a utility's cost of equity, and cautions against overreliance on any one particular model.¹⁷¹

I&E specifically opposes the use of the ECAPM model in this proceeding.¹⁷² I&E argues the ECAPM adds subjectivity to the CAPM model and reduces the purpose of beta. I&E further asserts that Columbia witness Rea acknowledged he was not aware of a Commission decision in the past three years that explicitly adopted a ECAPM result. I&E's arguments are incorrect, as explained by Mr. Rea in rebuttal. First, with regard to I&E's claim of subjectivity, I&E fails to consider that the ECAPM was developed as a result of a large body of empirical research that demonstrated the risk-return relationship is flatter than what is predicted by the traditional CAPM. In certain instances, the ECAPM produces a lower return on equity, and in other cases a higher return on equity.¹⁷³ ECAPM is a refinement to produce results more in tune with what is observed in the market. Improvements in results should not be disparaged as "subjective." Second, the ECAPM in no way reduces the purpose of beta. The ECAPM makes no risk adjustment to beta but instead recognizes empirically observed differences between CAPM projections and actual

¹⁷¹ Columbia St. No. 8, pp. 49-50.

¹⁷² I&E MB, p. 52.

¹⁷³ Columbia St. No. 8-R, p. 70.

returns.¹⁷⁴ Third, the fact that Mr. Rea could not identify a specific Commission rate case decision adopting the ECAPM does not mean the ECAPM has not been considered. Mr. Rea did not review all rate case decisions across the United States. Also, many cases are resolved by settlement without specification of the return on equity. However, Mr. Rea did provide a list of cases from other jurisdictions where the ECAPM was presented by commission staffs and non-utility parties and adopted.¹⁷⁵

I&E and OCA also object to consideration of the RP method. These objections do not justify rejection of the RP results. OCA argues that the RP method considers, in part, data going back to 1926. This criticism fails to appreciate all of the data used in the RP method:

In response, I would first note that my RPM evaluation is based on a balanced and comprehensive approach which considers both: (1) the 98-year long-run historical average returns for both the S&P 500 Composite Index and the S&P 500 Utilities Index, and (2) the prospective or currently-implied returns for both the S&P 500 Composite Index and the S&P 500 Utilities Index. Thus, while Mr. Garrett implies that my RPM analysis is retrospectively focused, this is a mischaracterization of my RPM evaluation. Second, and as noted earlier in my response to Mr. Garrett's criticisms of my CAPM analysis, it is important to recognize that whenever historical returns are used as a proxy for estimating the prospective return expectations of investors, the predictive value of this approach is significantly enhanced when the longest possible historical period is evaluated, which includes market returns data from as far back as 1926.¹⁷⁶

¹⁷⁴ Columbia St. No. 8-R, p. 72.

¹⁷⁵ Columbia St. No. 8-R, p. 73.

¹⁷⁶ Columbia St. No. 8-R, p. 76 (footnote omitted).

Moreover, as Mr. Rea explained, the RP is widely referenced by analysts and investors, as well as in several authoritative guides on utility cost of capital.¹⁷⁷ I&E further criticizes the RP as a “simplified version of the CAPM.”¹⁷⁸ However, this does not negate the usefulness of the RP. The RP is an empirically-based method that estimates a company’s cost of equity by summing together two components: the company’s cost of long-term debt plus an expected equity risk premium. The fact that the RP does not utilize a more complicated mathematic formula that includes a beta coefficient does not in any way disqualify its use as another method, relied upon by investors, to estimate cost of capital.¹⁷⁹

d. Criticisms of Columbia’s DCF Results Are Without Merit (I&E MB, Section IX H, pp. 43-44; OCA MB, Section IX D, pp. 131-33)

i. Growth Rate

I&E asserts that Columbia’s growth rate is “inflated.” I&E argues that DCF growth rates should be mathematically formulated and that any alternative approach is subjective and should be rejected.¹⁸⁰ I&E contends that the reasons the Company has provided in support of a 7.5% growth rate are already included in analysts’ growth forecasts and thus would double count these factors.¹⁸¹

I&E’s criticisms are mistaken. Columbia did not use a DCF growth rate of 7.5% in its Gas LDC Group calculation. Rather, before adjustments for leverage and flotation cost,

¹⁷⁷ Columbia St. No. 8-R, pp. 77-78.

¹⁷⁸ I&E MB, p. 41.

¹⁷⁹ Columbia St. No. 8-R, p. 79.

¹⁸⁰ I&E MB, p. 56.

¹⁸¹ I&E MB, pp. 43-44.

Columbia's DCF calculation reflected a growth rate of 6.6%.¹⁸² Mr. Rea took a mathematical average of four earnings growth rates: S&P Global, Zachs, Value Line, and the historical earnings growth rates of the proxy group companies. The four earnings growth rates produced cost of equity results, inclusive of a 3.7% dividend yield, of 10.7%, 10.1%, 10.5% and 10.0%, respectively, producing growth rates of 7.0%, 6.4%, 6.8% and 6.3%.¹⁸³ Mr. Rea did not inflate his growth rate.

I&E also criticizes Mr. Rea's removal of DCF results for individual companies under 7% from his analysis.¹⁸⁴ However, in the case of each of the three results that Mr. Rea removed, the growth rates were less than 3%, and in one instance under 1%.¹⁸⁵ Yields on long-term utility bonds have been trading in the range of 6.29%. The DCF results removed by Mr. Rea barely exceed that bond yield. No rational investor would prefer to invest in common stock for the same return that can be achieved from investing in bonds.¹⁸⁶ Moreover, the low-end outlier is consistent with precedent established at the Federal Energy Regulatory Commission ("FERC").¹⁸⁷

OCA also contends that Columbia's growth rates are "unsustainably high," specifically referencing the result for Southwest Gas.¹⁸⁸ However, Mr. Rea did employ a high-end outlier as well as a low-end outlier threshold, consistent with FERC procedure.

¹⁸² Columbia MB, p. 96.

¹⁸³ *Id.*

¹⁸⁴ I&E MB, pp. 43-44.

¹⁸⁵ Columbia Ex. VVR-7, pp. 1-2.

¹⁸⁶ Columbia St. No. 8-R, p. 39.

¹⁸⁷ *Id.*

¹⁸⁸ OCA MB, pp. 132-33.

The Southwest Gas results did not exceed the high-end threshold.¹⁸⁹ OCA further criticized Mr. Rea's growth rates as unreasonable when measured in perpetuity.¹⁹⁰ However, it is not credible to believe that investors make investment decisions based upon growth into perpetuity. As Mr. Rea explained:

Considering that the long-term growth phase for the accelerated replacement of utility infrastructure encompasses periods as long as, or longer than, 15-20 years, it is clear that the growth rates corresponding to this growth phase will have the greatest impact on the cost of equity estimates produced by the DCF model. This is due to the fact that, in accordance with the long-form version of the DCF model, the cash flows occurring in the earliest years of the forecast horizon will have the greatest impact on the results produced by the DCF model. This is true notwithstanding the fact that the DCF model is conceptually based upon an infinite stream of cash flows. Clearly then, the cash flows occurring the farthest out into perpetuity will have only a minor impact on the results of the DCF model, as the present value of those distant cash flows will be much smaller than the present value of the cash flows occurring during the first 10-15 years of the forecast horizon.¹⁹¹

Other parties' criticisms of Columbia's growth rate are without merit and should be rejected.

ii. Leverage Adjustment (I&E MB, Section IX I, pp. 44-47)

I&E criticizes Columbia's addition of a leverage adjustment to the DCF results.¹⁹² Columbia anticipated and responded to many of these criticisms in its MB, and those

¹⁸⁹ Columbia St. No. 8-R, p. 39.

¹⁹⁰ OCA MB, pp. 132-33.

¹⁹¹ Columbia St. No. 8-R, pp. 28-29.

¹⁹² I&E MB, pp. 44-47.

arguments will not be repeated here.¹⁹³

I&E argues that a leverage adjustment is improper because credit rating agencies assess financial risk on the basis of a company's book value based debt obligations and the ability of the company's cash flow to cover the debt service payments on those obligations. However, I&E confuses risk evaluation of debt instruments and equity. Credit agencies evaluate credit default risk associated with fixed-income securities, and not the risk associated with common equity investments. The degree of variation between book value and market value of a fixed income security is generally significantly less than the variation between book value and market value of common stock, due to the fixed payment schedule on debt securities.¹⁹⁴ Simply stated, equity investors are more likely to evaluate risk on the basis of the market value of their investment, which is consistent with a capital structure stated at market value. Therefore, a leverage adjustment is properly considered in determining a DCF result because investors consider the return achieved based upon their market investment, not upon the book value of their stock.

I&E asserts that the leverage adjustment increases revenue requirement by over \$18 Million.¹⁹⁵ This contention is flawed, because it assumes that the 0.94% leverage adjustment applies to the Company's overall proposed cost of equity, when in fact the leverage adjustment has not been applied to either Columbia's CAPM or RP analyses.¹⁹⁶

¹⁹³ Columbia MB, pp. 97-102.

¹⁹⁴ Columbia St. No. 8-R, p. 42.

¹⁹⁵ I&E MB, p. 46.

¹⁹⁶ Columbia St. No. 8-R, pp. 12-13.

iii. Flotation Cost Adjustment (I&E MB, Section IX J, pp. 47-48)

I&E opposes the 3-basis point adder for costs associated with new issuance of common stock. I&E asserts that there is no indication that Columbia's parent, NiSource Inc., will issue new stock in the FPFTY, and an adjustment based upon historic issuance expenses would be retroactive ratemaking.¹⁹⁷ There are several flaws with I&E's position. First, NiSource's Q1, 2025 quarterly report filings with the SEC (*i.e.*, Form 10-Q, Form 8-K, as well as NiSource's Q1, 2025 Supplemental Slides) did in fact disclose the fact that NiSource's base capital plan includes \$200-\$300 Million of annual common equity issuances that are expected to occur via NiSource's at-the-market ("ATM") equity program during the 2025-2029 period. Thus, NiSource will be issuing stock during the FPFTY. Second, the fact that the flotation costs are recorded on NiSource's books and already have been paid does not affect the appropriateness of reflecting the costs in the cost of equity for Columbia. *Modern Regulatory Finance* states the following:

Some controversies have surfaced regarding the flotation cost allowance. The first is the contention that a flotation allowance is inappropriate if the utility is a subsidiary whose equity capital is obtained from its parent. This objection is unfounded since the parent-subsidiary relationship does not eliminate the costs of a new issue, but merely transfers them to the parent. It would be unfair and discriminatory to subject parent shareholders to dilution while individual shareholders are absolved from such dilution. Fair treatment must consider that if a utility subsidiary had gone to the capital marketplace directly, flotation costs would have been incurred.¹⁹⁸

Columbia's flotation cost adjustment is reasonable and should be accepted.

¹⁹⁷ I&E MB, p. 47.

¹⁹⁸ Morin, Roger A., *Modern Regulatory Finance*, PUR Books LLC (2021), at 340.

e. Criticisms of Columbia’s CAPM Are Incorrect

i. Beta (OCA MB, Section IX D 2, pp. 138-39)

OCA asserts that Value Line updated its betas subsequent to the time Mr. Rea conducted his analysis.¹⁹⁹ OCA asserts that the more recent betas should be used. In rebuttal, Mr. Rea acknowledged that beta coefficients reported by Value Line have fluctuated periodically.²⁰⁰ However, it is to be noted that I&E witness Patel used updated betas in his traditional CAPM model, which produced a 10.51% return on equity, without recognition of either a size adjustment or management performance.

ii. Risk Free Rate (I&E MB, Section IX K, p. 48)

I&E opposes Mr. Rea’s use of the 30-year Treasury Bond to develop the risk-free (“Rf”) rate.²⁰¹ OCA witness Garrett also used 30-year Treasury Bonds to develop his Rf rate. Longer-term Treasuries are more appropriate to use to set the Rf rate, as Mr. Rea explained:

30-year U.S. Treasury Bonds most closely parallel the investment characteristics of common stocks, since both are considered long-term, if not permanent, capital. Furthermore, in the absence of market anomalies, 30-year Treasury yields, like common stocks, best reflect the long-term inflation expectations of investors. Mr. Patel maintains that the downside of referencing longer-maturity Treasury yields is that they have substantial maturity risk associated with market risk (i.e., interest rate risk) and also the risk of unexpected inflation. However, at the same time, he also recognizes that longer-term Treasury bonds normally offer higher yields to compensate investors for these particular risks, which parallels the higher

¹⁹⁹ OCA MB, pp. 138-39.

²⁰⁰ Columbia St. No. 8-R, p. 58.

²⁰¹ I&E MB, p. 48.

expected returns associated with common stock investments.²⁰²

An average of the parties' Rf recommendations produces an Rf rate of 4.55%, which is slightly below Columbia's recommendation.²⁰³

iii. Market Risk Premium (I&E MB, Section IX L, pp. 48-50; OCA MB, Section IX D 2, pp. 139-40)

I&E and OCA both criticize the Company's Market Risk Premium ("MRP"). I&E argues that the Company should not have averaged both an historic MRP and a prospective MRP to derive its recommended 7.00% MRP. I&E argues the historic MRP skews the results.²⁰⁴ OCA argues that Columbia's ERP is excessive when compared to surveys, publications, and implied ERPs used by OCA witness Garrett.²⁰⁵

OCA's contention that Columbia's MRP is "excessive" based simply on the fact that it differs from the data sources used by OCA is without merit. As explained in Section IX D 2 b of Columbia's MB, and as further explained in Section IX D 2 b of this RB, OCA's MRP sources are unreliable estimates that should not be used.

I&E's criticism of the use of historic MRP data as one input into the Company's MRP results is mistaken. Experienced MRP are certainly relevant data to use in determining future MRP, as Mr. Rea explained:

[T]he Kroll Cost of Capital Navigator reports that over the past 98 years (1926-2023), the historical average market equity risk premium has been 7.17 percent. This is the pertinent benchmark return value to reference, since over the very long-

²⁰² Columbia St. No. 8-R, pp. 67-68.

²⁰³ 4.13%+4.65%+4.89%=4.55% (rounded)

²⁰⁴ I&E MB, pp. 48-49.

²⁰⁵ OCA MB, pp. 139.

run (i.e., 98 years), investor expectations are realized, and to my knowledge, there are no particularly compelling reasons to believe that future returns will be significantly lower. This is particularly the case in the view of the rapidly expanding artificial intelligence revolution, which has the potential to significantly increase U.S. stock market returns well into the foreseeable future.

Moreover, evaluating the historical returns of large-capitalization stocks provides an *unbiased* estimate of future market return expectations. This is because these historical returns reflect repeated observations of a variable that has behaved randomly in the past (U.S. stock market returns), and therefore, are devoid of subjective bias.²⁰⁶

The use of long-term data also serves to offset recency bias, which can appear when the MRP is derived from survey results.²⁰⁷ In *UGI Electric*, the Commission accepted the use of both historic and forecasted MRP.²⁰⁸ The same should be accepted here.

iv. Size Adjustment (I&E MB, Section IX M, pp. 50-52; OCA MB, Section IX D 2, p. 140)

I&E and OCA oppose the addition of a 61 basis point size adjustment to the CAPM.²⁰⁹ Columbia anticipated and responded to many of the arguments presented by I&E and OCA in its MB.²¹⁰ OCA mistakenly asserts that the size premium adjustment was based on an opinion that Columbia's size relative to the proxy group increased Columbia's risk relative to the proxy group.²¹¹ The size adjustment applied in Columbia's CAPM relates to the size differences between the proxy groups and the overall United States stock

²⁰⁶ Columbia St. No. 8-R, pp. 48-49.

²⁰⁷ Columbia St. No. 8-R, pp. 49-50.

²⁰⁸ *UGI Electric*, Order at 99.

²⁰⁹ I&E MB, pp. 50-52; OCA MB, p. 140.

²¹⁰ Columbia MB, pp. 109-10.

²¹¹ OCA MB, p. 140.

market index.²¹² I&E points to Commission decisions rejecting the use of a size adjustment, and references a 23 year old article claiming to refute the size effect.²¹³ However, there is no indication that the Commission has considered more recent scholarly work, described in Columbia’s MB, that demonstrate size remains an important investment criterion, or has considered that FERC prescribes a CAPM adjustment due to size.

2. Opposing Parties Common Equity Cost Rate Recommendations Must be Rejected

a. I&E’s Return on Common Equity Recommendation is Understated (I&E MB, Section IX E, pp. 38-41)

Columbia explained in Section IX D 2 a of its MB the shortcomings in I&E’s DCF and CAPM analyses.

I&E’s DCF analysis is understated for three reasons: (1) Mr. Patel’s proxy group selections; (2) Mr. Patel’s failure to include a leverage adjustment; and (3) Mr. Patel’s failure to include a flotation cost adjustment. For example, if Mr. Patel had used the same Gas LDC Group as used by Columbia witness Rea, his DCF result would have been 11 basis points higher. A leverage adjustment and flotation adjustment would have added 65 and 3 basis points, respectively.

I&E performed two CAPM analyses, but only as a check to its DCF result. CAPM results should not simply be offered as a “check,” and then effectively ignored. In several recent decisions, the Commission has given weight to both DCF and CAPM results.²¹⁴

²¹² Columbia St. No. 8, pp. 70-72; Columbia St. No. 8-R, p. 61.

²¹³ I&E MB, pp. 50-52.

²¹⁴ *PAWC 2024*, Order at 171-72; *Pa. PUC v Columbia Water Company*, Docket No. R-2023-3040258, (Opinion and Order entered January 18, 2024) (*Columbia Water 2024*),

Mr. Patel’s primary CAPM analysis produced a result of 10.51%, which is identical to his DCF result. As explained in Columbia’s MB, this CAPM result, while generally reasonable and worthy of consideration in this case, still is understated. The primary understatement in Mr. Patel’s principal CAPM analysis is it incorrectly relies upon the yield of 10-year Treasury notes instead of long-term bonds, which produces a systematic understatement of the risk-free rate. Second, Mr. Patel’s CAPM analysis is understated by failing to reflect a size adjustment.

The Commission should give no weight to I&E’s alternative CAPM that used Kroll’s equity risk premium (“ERP”) of 5.50%.²¹⁵ As explained in Columbia’s MB,²¹⁶ the record is devoid of any evidence demonstrating how Kroll computed this ERP. As a result, it is impossible to evaluate the validity of the underlying assumptions that are incorporated into Kroll’s ERP. Given that the ERP is substantially lower than that traditionally presented, and relied upon, by the Commission, I&E’s alternative CAPM should be disregarded.

b. OCA’s Recommended Cost of Equity is Flawed and Should be Rejected (OCA MB, Section IX D, pp. 126-33)

As explained in Columbia’s MB, OCA’s cost of common equity analyses contains numerous flaws and errors that render its recommendation unusable.²¹⁷

Order at 105; *Pa. PUC v. Aqua Pennsylvania, Inc*, Docket No. R-2021-3027385 (Order entered May 16, 2022) (“*Aqua 2022*”), Order at p. 178.

²¹⁵ I&E St. No. 2, p. 44.

²¹⁶ Columbia MB, p. 116.

²¹⁷ Columbia MB, Section IX D 2 b.

OCA witness Garrett presents two separate DCF calculations – one using a “maximum sustainable growth rate” and the other using selective analyst dividend per share growth rates, which produce results of 7.3% and 7.5%, respectively. It defies logic to believe that common equity should be provided an opportunity rate that slightly exceeds the current average bond yields for “Baa” rated long-term utility bonds of 6.29%.²¹⁸

Perhaps realizing that his DCF results are objectively flawed, OCA witness Garrett ignores those results in developing his recommended cost of equity. Instead, OCA’s cost of equity recommendation of 8.9% relies entirely upon Mr. Garrett’s CAPM results.²¹⁹ However, OCA’s CAPM analysis is also deeply flawed. As explained in Columbia’s MB, the primary weakness in Mr. Garrett’s analysis is his total reliance on surveys, publications, and implied ERPs.²²⁰ Each of the sources used by Mr. Garrett is unreliable as a projection of the risk premium to be used in a proper CAPM. For example, the IESE Business School Survey is based on a two-line email request for survey responses that asks the following two questions:

- (1) The Market Risk Premium that I am using in 2025 for USA is: ___%.**
- (2) The Risk-Free rate that I am using in 2025 for USA is: ___%.²²¹**

In addition to not knowing the response rate to the survey, the questions themselves are so lacking in detail as to produce unreliable results. As Columbia witness Rea explained:

No further elaboration or guidance is provided as to whether the survey respondents should base their responses on

²¹⁸ Columbia St. No. 8-R, p. 33.

²¹⁹ OCA MB, p. 134.

²²⁰ Columbia MB, p. 121-22.

²²¹ Columbia St. No. 8-R, p. 51.

arithmetic or geometric averages, or which particular debt security or term-to-maturity should be referenced for purposes of both responses. This ambiguity clearly undermines the validity, consistency and usefulness of the results yielded by the Fernandez survey. Moreover, the fact that the survey results for 2025 reflect a very wide dispersion of survey responses for the market risk premium, ranging from as low as 2.00 percent to as high as 15.00 percent, in and of itself does *not* inspire confidence in the validity and usefulness of the survey results.²²²

The Kroll publication, referenced above with respect to the I&E alternative CAPM calculation, suffers from a similar deficiency, as Mr. Rea explained:

The Kroll publication that Mr. Garrett referenced does not provide any specific explanation as to how the company derives its market risk premium recommendations. For example, if Kroll evaluated the long-run historical market risk premium in deriving its recommendation, it raises the question of whether the historical values that Kroll referenced are based on the arithmetic mean or the geometric mean. This alone is a critically important question, as the finance literature has demonstrated that the geometric average is an inappropriate basis for purposes of estimating the forward-looking market return and risk premium expectations of investors.²²³ Moreover, the difference between the arithmetic mean and the geometric can be quite substantial, as Villadsen, Vilbert, Harris and Kolbe have noted in *Risk and Return for Regulated Industries*²²⁴

²²² Columbia St. No. 8-R, pp. 51-52.

²²³ See Ibbotson Associates, *Stocks, Bonds, Bills, and Inflation, 2005 Yearbook, Valuation Edition*, at 75; Brealey, R., Myers, S., and Allen, P. *Principles of Corporate Finance*, International Edition, New York: McGraw-Hill, 2011, at 159; Bodie, Z., Kane, A., and Marcus, A.J. *Investments*, New York: McGraw-Hill Irwin, 8th ed., 2009, at 126-127; Brigham, E.F. and Ehrhardt, M. *Financial Management: Theory and Practice*, 8th ed., Hinsdale, IL, Dryden Press, 2005; and Bruner, R.F., Eades, K.M., Harris, R.S., and Higgins R.C. “Best Practices in Estimating the Cost of Capital: Survey and Synthesis,” *Financial Practice and Education*, Spring/Summer 1998, at pp. 13-28.

²²⁴ Columbia St. No. 8-R, p. 52.

The Commission has previously recognized that arithmetic mean, rather than geometric mean, is appropriate for CAPM purposes.²²⁵

The Damodaran implied MRP also is flawed and should not be used. The model assumes that long-term growth rates will decline to current yields on Treasury Securities. As Mr. Rea explained, there is no logical connection between long-term growth expectations of equity investors and the yield on U.S. Treasuries.²²⁶

Mr. Garrett's own "implied ERP" has several flaws. First, it relies entirely upon historical data. Second, it is developed using geometric growth rates, rather than arithmetic growth rates.²²⁷ As noted above, the Commission has previously rejected the use of geometrical growth rates for the CAPM.

OCA's cost of equity recommendations are based on deeply flawed analyses and, therefore, should be rejected.

3. Increment for Management Effectiveness (I&E MB, Section IX O, pp. 53-55; OCA MB, Section IX E, pp. 141-170)

As explained in Columbia's MB, the Commission is required to consider management effectiveness in setting rates, and the Commission has included, where appropriate, an incremental upward adjustment to the cost of common equity to reflect management effectiveness. Columbia has provided extensive evidence to demonstrate that it provides high quality service and has implemented numerous programs designed to enhance the safety of its system and the service it provides to customers. This evidence

²²⁵ *UGI Electric*, Order at p. 99.

²²⁶ Columbia St. No. 8-R, pp. 53-54.

²²⁷ Columbia St. No. 8-R, p. 54.

supports Columbia's proposed 25-basis point addition to the allowed rate of return on common equity.²²⁸

I&E and OCA seek to ignore the statutory directive of Section 523 of the Public Utility Code, which requires the Commission to consider management effectiveness in setting rates.²²⁹ I&E argues that Columbia should not receive any recognition for management performance through a basis point addition to ROE, claiming the Company is just doing what is required under Section 1501 of the Public Utility Code.²³⁰ OCA similarly argues that it is not aware of regulators in other jurisdiction that specifically recognize management performance in setting rate of return. Such contentions are without merit. Columbia's evidence demonstrates a commitment to safety and customer service that go beyond the basics required by Section 1501. OCA's argument, comparing Pennsylvania to other jurisdictions, disregards the specific statutory directive in Pennsylvania to consider "efficiency, effectiveness and adequacy of service" when determining just and reasonable rates.²³¹

I&E suggests that management performance adders should be limited to water companies that recue trouble water/wastewater companies²³² In so doing, I&E ignores *UGI Electric* and other decisions where the Commission recognized improved customer

²²⁸ Columbia MB, pp. 122-30.

²²⁹ 66 Pa.C.S. § 523(b)(1).

²³⁰ I&E MB, p. 54.

²³¹ 66 Pa.C.S. § 523(a).

²³² I&E MB, p. 54.

satisfaction, workforce safety, and service reliability as relevant factors in assessing management performance for non-water utilities.²³³

I&E also references the Commission’s decision in Columbia’s 2021 rate case, where no increment for management performance was included. I&E’s reference to this decision is, at the very least, disingenuous. In that case, the ALJ had recommended no increase in rates, in light of the then ongoing COVID-19 pandemic. With numerous issues to take exception to, Columbia elected to not press the issue of management performance:

In its Exceptions, Columbia explained that it has decided to withdraw its request for an upward adjustment to its cost of equity for management performance, in recognition of the effects of the pandemic and the time in which vaccine distribution is anticipated to be administered. Columbia Exc. at 24.²³⁴

Columbia 2021 is not relevant precedent.

OCA also offers examples of instances where Columbia has purportedly not provided “‘superior’ performance compared to other NGDCs in Pennsylvania” in order to deny any recognition for management effectiveness. However, neither Section 523 of the Public Utility Code nor any prior Commission precedent has required exemplary performance in every aspect of operations to receive recognition of management performance through a basis point addition. For example, in *PPL 2012*, the Commission granted a 12-basis point adjustment for management effectiveness, despite I&E’s contentions that PPL had “considerable room for improvement” in various areas of

²³³ *UGI Electric*, p. 119; *PPL 2012*, pp. 98-99; *Pa. PUC v. West Penn Power Co.*, Docket Nos. R-00942986, *et al.*, 1994 Pa PUC LEXIS 144, *147 (Order dated Dec. 29, 1994).

²³⁴ *Columbia 2021*, p. 134.

operations.²³⁵ Moreover, many of OCA’s claims of less than superior performance reflect a misunderstanding of Columbia’s operations and commitments.

OCA claims that Columbia’s performance with respect to Low-Income Home Energy Assistance Program (“LIHEAP”) grants is less than superior because the number of grant recipients has trended downward.²³⁶ However, this trend is erroneous and taken out of context. First, as explained by Columbia witness Paloney in rebuttal, the data used by OCA included only a partial year of data for 2024/2025. Including both LIHEAP and CRISIS grants, Columbia’s grants for the 2024/2025 year exceeded grants for the 2023/2024 year.²³⁷ Second, OCA witness Colton failed to recognize that over the past three years, Pennsylvania LIHEAP grants have decreased generally. Columbia’s percentage share of grants remained consistent over the three year “trend” examined by OCA witness Colton.²³⁸

OCA asserts that Columbia has the lowest CAP payment rate of all Pennsylvania natural gas distribution companies (“NGDC”). OCA argues that Columbia’s explanation that energy assistance grants are not reflected in the CAP payment rate is flawed.²³⁹ OCA misunderstands the import of Columbia’s testimony. Many CAP customers receive energy assistance in lieu of payments. Because of this, the number of low-income customers

²³⁵ *PPL 2012*, p. 94.

²³⁶ OCA MB, p. 144.

²³⁷ Columbia St. No. 9-R, p. 3.

²³⁸ *Id.*

²³⁹ OCA MB, p. 147.

actually falling behind in payments is lower than what may be inferred from the CAP payment rate.

OCA asserts that Columbia's arrearage forgiveness is less than average.²⁴⁰ However, much of this data is skewed by older data on forgiveness, and a one-time change in accounting recommended by the Commission's Bureau of Audits in 2023. Data for 2021 and 2022 show Columbia near the industry average for forgiveness.²⁴¹

OCA argues that Columbia's reconnection rate for confirmed low-income customers was below the statewide average.²⁴² However, this statistic should be read in context. For 2023, Columbia had the second lowest termination rate for confirmed low-income customers of all Pennsylvania NGDCs, and the rate was substantially below the industry average.²⁴³

OCA asserts that Columbia's average monthly CAP bill is not measurably lower than that of other NGDCs, based upon 2023 data.²⁴⁴ However, data over a longer period of time demonstrates that Columbia consistently has lower, and often the lowest, monthly CAP bill among all NGDCs in Pennsylvania.²⁴⁵

OCA claims that Columbia demonstrates a lack of cross-program coordination among its various low-income customer programs, based upon statistics regarding the

²⁴⁰ OCA MB, p. 149.

²⁴¹ Columbia St. No. 9-R, p. 6.

²⁴² OCA MB, p. 150.

²⁴³ Columbia St. No. 9-R, p. 7.

²⁴⁴ OCA MB, p. 153.

²⁴⁵ Columbia St. No. 9-R, p. 8.

number of customers who receive benefits from multiple low-income programs.²⁴⁶ However, if a customer's needs are met by individual programs, it would not be a prudent use of limited resources to enroll a customer in multiple programs. OCA also fails to consider the many benefits Columbia's Customer Assistance Referral and Evaluation Services ("CARES") program provides, including assistance with applications to enroll in CAP, applications for LIHEAP and Hardship Funds, referrals to community-based agencies for other resources, and individualized follow up to victims of domestic violence.²⁴⁷

OCA provides additional allegations regarding what it believes are less than superior service to low-income customers.²⁴⁸ Columbia witness Paloney responded to these allegations in rebuttal:

As already discussed, several of the statistics presented by OCA Witness Colton are either taken out of context or reflect outliers that do not accurately represent broader trends. In several other cases, identified below, he suggests Columbia is subpar even though Columbia is equal to, or better than, its peers.

OCA Witness Colton argues on page 60 of his Direct Testimony that not enough of the "estimated low-income customers" participate in CAP, and in doing so, continually dismisses the arguments that "estimated" is not an accurate count due to its reliance on county level data and attempts to justify participation rates based on the erroneous estimated number. Columbia's CAP customers represent 33% of all confirmed low-income customers, which is higher than the Company's Western Pennsylvania peers.

On page 61 of his Direct Testimony, OCA Witness Colton criticizes the Company for terminating an excessive

²⁴⁶ OCA MB, pp. 155-57.

²⁴⁷ Columbia St. No. 9-R, p. 10.

²⁴⁸ OCA MB, pp. 158-62.

number of CAP customers, and in doing so, ignores the Commission's guidance supporting swift termination of nonpaying CAP customers.

OCA Witness Colton's statement the Company is less likely to reconnect ignores that reconnection statistics are underreported, as explained previously. It also ignores that Columbia serves a rare territory that is shared with another gas utility. It is much more common for customers to move to a property serviced by another gas utility in Western Pennsylvania than in other areas where only one gas utility exists, which also has the potential to impact Columbia's reconnection stats.

Finally, OCA Witness Colton suggests on page 62 [o]f his Direct Testimony that the Company does not use deferred payment plans to address arrears though the report he cites identifies 83% of Columbia's low-income customers in debt are on payment arrangements. The average for Pennsylvania gas utilities is 73.6%, with four of the six utilities falling below the average.²⁴⁹

OCA further argued that there were areas of customer service performance that were average or below average.²⁵⁰ Again, the Commission has never applied a standard of superior performance in all aspects of operations.

OCA asserts that Columbia's call center performance is below average.²⁵¹ However, such contention ignores that Columbia has reworked its call center operations to improve performance. Calls answered within 30 seconds improved to 82.65% in 2024, reflecting an increase of 11.7% from 72.93% in 2023. The overall call abandonment rate improved to 2.25%, a reduction of 60% from 5.65% in 2023. The Busy-Out Rate remains at 0%, which is consistent with Columbia's performance year over year.²⁵² Columbia

²⁴⁹ Columbia St. No. 9-R, pp. 12-13.

²⁵⁰ OCA MB, pp.164-170.

²⁵¹ OCA MB, pp.164-166.

²⁵² Columbia St. No. 9, p. 23.

continued to meet its targets through June 2025.²⁵³ Further, contrary to OCA’s assertion,²⁵⁴ Columbia established a call abandonment rate target of 2.5% in January 2025, and met that target in the first quarter of 2025.²⁵⁵ These results were obtained by the creation of a team to examine and make recommendations to improve call center performance.²⁵⁶ OCA’s criticisms of Columbia’s call center performance are without merit.

OCA also challenges the results obtained through various surveys of customer satisfaction, contending they do not “benchmark” results against other Pennsylvania NGDCs.²⁵⁷ However, Columbia explained in Rebuttal that these claims about survey results were inappropriate.²⁵⁸ In particular, Columbia demonstrated that, as of the 2025 midpoint, Columbia was the highest ranking Pennsylvania NGDC in the JD Power East Region Large Utility Group, and third in the entire region.²⁵⁹

For the reasons explained above and in Section IX D 3 of Columbia’s MB, Columbia should receive recognition for management effectiveness in the rate of return.

X. RATE STRUCTURE

A. COST OF SERVICE

1. Cost of Service Study (PSU MB, Section X A, pp. 3-16)

All of the other parties in this proceeding, except PSU, accept the Company’s Peak & Average (“P&A”) Allocated Cost of Service (“ACOS”) study and propose to allocate

²⁵³ Columbia St. No. 9-R, pp. 18-19.

²⁵⁴ OCA MB, p. 165.

²⁵⁵ Columbia St. No. 9-R, p. 19.

²⁵⁶ Columbia St. No. 9-R, pp. 17-18.

²⁵⁷ OCA MB, pp. 168-70.

²⁵⁸ Columbia St. No. 9-R, pp. 19-22.

²⁵⁹ Columbia St. No. 9-R, pp. 22-23.

revenues to the classes based upon that study.²⁶⁰ While PSU supports a modified Customer-Demand Study, PSU argues in its MB that it could accept the Company's Average Study because according to PSU, it balances the interests of residential, commercial and industrial customers.²⁶¹

PSU further argues that the P&A methodology is not appropriate because it allocates mains costs based upon annual throughput, which is not consistent with how the distribution system is constructed.²⁶² PSU also argues that the P&A methodology allocates 12 miles of mains to each LDS/LGSS customer and that this is "grossly excessive."²⁶³ As an apparent compromise, PSU argues that the Average Study is an acceptable alternative.²⁶⁴

Columbia has historically recommended the use of the Average Study to guide revenue allocation. Columbia has recently revised its position due to the Commission's decision in the Company's 2020 base rate proceeding which adopted the P&A methodology.²⁶⁵ Columbia supports the use of the P&A ACOS as a guide for revenue allocation in this proceeding.

2. Customer Charge Studies

As the Company explained in its MB, it prepared two customer charge studies. The first study was the Company's traditional customer charge study based on the Customer-Demand study and includes the customer portion of mains costs. The second study was

²⁶⁰ I&E MB, p. 60; OCA MB, p. 171; OSBA MB, p. 8.

²⁶¹ PSU Brief at 3-5.

²⁶² PSU Brief at 9.

²⁶³ PSU Brief at 11.

²⁶⁴ PSU Brief at 15-16.

²⁶⁵ Columbia St. No. 6-R, p. 3.

conducted for comparison purposes and excludes the customer component of mains. As also explained in the Company's MB, none of the other parties in this proceeding prepared a customer charge study. The Company's proposals with respect to fixed customer charges are discussed in Section C, below.

B. REVENUE ALLOCATION (OCA MB, SECTION X B, PP. 179-89; OSBA MB, SECTION X B, PP. 10-11; PSU MB, SECTION X B, P. 16)

Columbia provides an extensive discussion of the Parties' revenue allocation proposals in its MB.²⁶⁶ As stated therein, Columbia relied on the P&A ACOS as a guide and limited increases to the classes that were below cost of service to 1.5 times the system average increase. This is the measure that was used by the Commission in Columbia's 2020 base rate proceeding²⁶⁷ and is supported by I&E.

Both OCA and OSBA propose a 2.0 times system average increase for the LDS/LGSS class and use the increase to reduce the revenue allocation to their respective classes.²⁶⁸ PSU relies on the Average ACOS to allocate less of the increase to the SDS/LGSS and LDS/LGSS classes.²⁶⁹

The Company's and I&E's proposed revenue allocation is reasonable and consistent with the Commission's position in the Company's 2020 base rate case. Therefore, the Company believes that its proposed revenue allocation should be approved.

²⁶⁶ Columbia MB, pp. 140-143.

²⁶⁷ See *Columbia 2021*, p. 233.

²⁶⁸ Columbia St. No. 6-RJ, p. 21.

²⁶⁹ PSU MB, p. 16.

C. RATE DESIGN

1. Residential Rate Design

a) Residential Customer Charge

As explained in Columbia's MB, the Company proposes to increase the Residential customer charge from \$17.25 to \$31.97.²⁷⁰ I&E, OCA, and CAUSE-PA raised arguments in opposition to the Company's proposal to increase the residential customer charge, including various concerns with respect to the impacts of the proposed customer charge on low-income customers. In its MB, Columbia anticipated and responded to many of these arguments. Nevertheless, it is appropriate for Columbia to respond to certain arguments advanced by these parties in their Main Briefs.

i. **The "No Increase" Proposals of I&E, OCA, and CAUSE-PA Should be Rejected (I&E MB, Section X D, pp. 62-64; OCA MB, Section X C, pp. 189-204; CAUSE-PA MB, Section X E, pp. 40-48)**

I&E, OCA, and CAUSE-PA argue that the Residential customer charge should not increase.²⁷¹ These parties' "no increase" proposals are not based on any cost analysis but rather their belief that the fixed portion of Residential customers' bills should not increase. Such an extreme stance has no basis in cost causation principles and has been previously rejected by the Commission.²⁷² Similarly, these "no increase" proposals should be rejected here.

²⁷⁰ Columbia MB, p. 145.

²⁷¹ I&E MB, p. 62; OCA MB, p. 204; CAUSE-PA MB, p. 47.

²⁷² See *Pa. PUC v. PPL Electric Utilities Corporation*, Docket No. R-2012-2290597, 2012 Pa. PUC LEXIS 1757 (October 19, 2010 R.D.; Order entered December 28, 2012) (rejecting I&E's and OCA's position of "no increase" to the customer charge because it was not based on a proper cost analysis) citing *Pa. Publ. Util. Comm'n v. Aqua*

ii. The Opposing Parties' Comparisons To Other NGDC Customer Charges Are Not Based On Cost Of Service (I&E MB, Section X D, pp. 62-64; OCA MB, Section X C, pp. 189-204; CAUSE-PA MB, Section X E, pp. 40-48)

I&E, OCA, and CAUSE-PA all argue that the Commission should deny any increase to Columbia's customer charge because it is higher than the customer charges of the other NGDCs in Pennsylvania.²⁷³ This argument is severely flawed.

Columbia's rates, including customer charges, must be based on Columbia's costs and cost of service. NGDCs can only recover their costs of serving customers, not costs for other NGDCs. The opposing parties' review of other NGDCs customer charges is not cost of service based.²⁷⁴ In addition, Columbia was one of the first NGDCs in Pennsylvania, if not the first, to initiate an accelerated infrastructure improvement plan.²⁷⁵ Therefore, the fact that Columbia's costs are higher than other NGDCs is to be expected. Columbia's customer charge must be based upon Columbia's cost of service – not the cost of service of other NGDCs.

In its Brief, CAUSE-PA argues that the Commission has noted that Columbia's customer charge is higher than other NGDCs in the Company's 2020 base rate

Pennsylvania, Inc., Docket No. R-00038805, 2004 Pa. PUC LEXIS 39, 236 P.U.R.4th 218 (August 5, 2004).

²⁷³ I&E MB, p. 63; OCA MB, p. 190; CAUSE-PA MB, p. 44.

²⁷⁴ The other parties argue that Columbia's customer charge is not "cost based" and then at the same time argue that any increase should be denied based upon the customer charges of other NGDCs – which are set based upon those NGDCs costs and not Columbia's costs. The other parties' proposals to maintain the current customer charge are the proposals that are not cost based.

²⁷⁵ See Columbia St. No. 1, p. 7.

proceeding.²⁷⁶ CAUSE-PA's characterization of the Commission's 2020 Order is inaccurate and should not be accepted. The ALJ in that proceeding noted the customer charge difference in her Recommended Decision. However, CAUSE-PA fails to adequately explain that neither Columbia nor any other party filed Exceptions on this issue in 2020, which was the first year of the COVID-19 pandemic. As a result, the Commission adopted the Recommended Decision without substantial discussion or a specific analysis of this issue. For these reasons, it is not reasonable for CAUSE-PA to argue that this was the Commission's position as to this issue.

iii. Columbia's Customer Charge Proposal Is The Only Proposal That Is Based on Cost Causation Principles (I&E MB, Section X D, pp. 62-64; OCA MB, Section X C, pp. 189-204; CAUSE-PA MB, Section X E, pp. 40-48)

OCA argues that the Company's proposed customer charge is not based on cost causation principles because it includes mains costs and uncollectible expense.²⁷⁷ OCA argues that the customer charge should only include costs that vary with the addition or subtraction of a customer. I&E also states that the Company's customer charge should not include mains costs or uncollectible expense.²⁷⁸ CAUSE-PA also criticizes the Company's customer charge study for including mains costs and uncollectible expense.²⁷⁹

These parties criticize the Company's customer charge studies and yet provide no studies of their own. Even when mains costs and uncollectible expense are removed, the

²⁷⁶ CAUSE-PA MB, pp. 44-45.

²⁷⁷ OCA MB, p. 191.

²⁷⁸ I&E MB, p. 63.

²⁷⁹ CAUSE-PA MB, p. 42.

customer charge study supports a fixed charge of \$27.69, which is well above the current customer charge of \$17.25.²⁸⁰

As also explained in the Company's MB, the Company's distribution costs are fixed and yet, the majority of its costs are recovered through volumetric rates.²⁸¹ This creates a mismatch that prevents the Company from recovering its fixed costs, especially considering the abnormal warming trend that has occurred in recent years.²⁸²

iv. Columbia's Proposed Increase to the Residential Customer Charge Does Not Violate the Principle of Gradualism (OCA MB, Section X C, pp. 189-204; CAUSE-PA MB, Section X E, pp. 40-48)

OCA contends that Columbia's proposed increase to the customer charge from \$17.25 to \$31.97 violates the principles of gradualism.²⁸³ OCA recognizes that the Commission has relied on the "total bill impact" standard to determine whether a customer charge violates the principles of gradualism, but then elects not to follow this precedent by looking at the increase to the customer charge alone without considering total distribution costs.²⁸⁴

When considering gradualism, it is irrelevant to look solely at the fixed customer charge because a higher customer charge necessarily reduces volumetric charges. OCA and CAUSE-PA attempt to create shock by stating that the customer charge will increase by 85%, but they ignore that under the Company's proposal there would be almost no

²⁸⁰ Columbia St. No. 6-RJ, p. 5.

²⁸¹ Columbia MB, pp. 146-147.

²⁸² Columbia MB, p. 161.

²⁸³ OCA MB, p. 195.

²⁸⁴ OCA MB, pp. 195-196.

increase to volumetric charges.²⁸⁵ OCA and CAUSE-PA also fail to acknowledge that for average low-income customers on the Company's system, a higher customer charge reduces their total annual bill. A lower annual bill does not create gradualism concerns. They also fail to acknowledge that higher customer charges spread distribution costs more evenly throughout the year to help mitigate higher winter energy burdens.²⁸⁶

The proposed increase in the Residential customer charge is supported by the results of Columbia's customer charge studies and is slightly above the study that excludes mains.²⁸⁷ Columbia's proposal is consistent with the Commonwealth Court's decision in *Lloyd*,²⁸⁸ which held that rate structures should be adjusted to reflect the cost of service to each rate class. Columbia's proposed increase to the Residential customer charge is necessary to bring the Residential customer charge closer to cost of service, as required by *Lloyd*, and should be approved.

- v. **Columbia's Proposed Increase to the Residential Customer Charge Will Not Negatively Impact Low-Income Customers' Ability to Reduce Their Bills Through Conservation And Actually Will Provide Total Bill Savings For The Average Low Income Customer (OCA MB, Section X C, pp. 189-204; CAUSE-PA MB, Section X E, pp. 40-48)**

CAUSE-PA argues that increasing the Residential customer charge will undermine the Low-Income Usage Reduction Program ("LIURP") because LIURP customers will not

²⁸⁵ Likewise, the references to percentage of bill recovered through fixed charges is irrelevant because volumetric charges are correspondingly lower.

²⁸⁶ Columbia MB, p. 148.

²⁸⁷ Columbia MB, p. 145.

²⁸⁸ 904 A.2d 1010, 1020.

be as effective at lowering their bills through conservation efforts if the fixed portion of their bills increase.²⁸⁹ Similarly, OCA claims that low-income customers will not realize the effects of conservation on their bills if the customer charge is increased.²⁹⁰ As Columbia explained in its MB, CAUSE-PA's, and OCA's assertions that customers will not be able to effectively lower their bills through conservation is simply inaccurate.²⁹¹ At proposed rates, the Residential customer charge of \$31.97 represents approximately 20% of the total monthly bill of a typical Residential customer. Even with the \$31.97 customer charge, approximately 80% of a customer's total bill will continue to be made up of volumetric charges, including the recovery of commodity costs.²⁹² Therefore, customers, including those participating in LIURP, will be able to realize savings on their bills through conservation efforts.

Moreover, CAUSE-PA's arguments regarding the effects of higher customer charges on low-income customers are contradictory. On the one hand, CAUSE-PA argues that low-income customers often lack the ability to control usage.²⁹³ However, on the other hand CAUSE-PA opposes a higher customer charge even though it would reduce total annual bills for average low-income customers because their usage is higher than general residential customers.²⁹⁴

²⁸⁹ CAUSE-PA MB, pp. 45-46.

²⁹⁰ OCA MB, p. 201.

²⁹¹ See Columbia MB, p. 150.

²⁹² Columbia St. No. 17-R, p. 28.

²⁹³ CAUSE-PA MB, p. 46.

²⁹⁴ CAUSE-PA MB, p. 47.

vi. OCA's Concerns that a Higher Customer Charge Will Exacerbate Affordability Concerns For Low-Income Customers Are Contrary to the Facts (OCA MB, Section X C, pp. 189-204)

OCA contends that a higher customer charge will exacerbate affordability concerns for low-income customers as opposed to a lower customer charge with higher volumetric rates.²⁹⁵ As explained above and in the Company's MB, this contention is not accurate for several reasons. OCA's primary contention is that low-income customers need to have as much opportunity as possible to conserve and reduce their bills. However, like CAUSE-PA, OCA states that low-income customers are often not able to reduce their bills through energy efficiency measures.²⁹⁶ A higher customer charge provides total bill savings to the average low-income customer. In addition, a higher customer charge spreads the energy burden throughout the year, similar to budget billing, but without the risk of large true-ups occurring at the end of the annual budget billing cycle.²⁹⁷ These factors address affordability concerns better than higher volumetric rates for low-income customers that cannot afford energy efficiency measures.

In an attempt to support its argument, OCA argues that the proposed customer charge increase represents an additional \$177 per year that customers will not be able to avoid.²⁹⁸ Contrary to OCA's assertions, if the proposed customer charge is reduced,

²⁹⁵ OCA MB, pp. 197-201.

²⁹⁶ OCA MB, p. 200.

²⁹⁷ Columbia MB, p. 148.

²⁹⁸ OCA MB, p. 199.

volumetric rates will be higher, and low-income customers especially will not be able to avoid \$177 per year by reducing their usage.

OCA's concerns are not a valid reason to avoid increasing the customer charge for all customers because there are programs in place that will adequately protect low-income customers should they become unable to afford their utility bills.²⁹⁹ OCA advocates for a customer charge for the Residential class that is insufficient to support the cost of service based on its position that some low-income customers may not be able to afford their utility bills with the rate increase. OCA ignores that many Residential customers are not struggling to pay their utility bills. Columbia submits that the more appropriate approach is to set the Residential customer charge based on the cost of service and provide assistance to those customers in need through the proper low-income programs.

2. Small C&I Customer Rate Design

The Company anticipated and responded to other parties' arguments regarding small C&I rate design in its MB.³⁰⁰ For the reasons stated therein, Columbia's proposed customer charges for the small C&I rate schedules should be approved.

3. Large C&I Customer Rate Design

No party raised any issues with the Company's large C&I rate design.

4. Gas Procurement Charge Rider

No party raised any issues with the Company's gas procurement charge rider.

²⁹⁹ See Columbia St. No. 16.

³⁰⁰ Columbia MB, pp. 151-153.

5. Flex Rates

No party proposes changes to the rates proposed by Columbia for flex rate customers.

6. Summary and Alternatives

Please refer to pages 154-155 of the Company's MB.

XI. ALTERNATIVE RATEMAKING

A. COLUMBIA'S PROPOSAL TO MAKE THE WEATHER NORMALIZATION ADJUSTMENT A PERMANENT PROGRAM SHOULD BE APPROVED

1. The WNA is Necessary To Protect the Company From Revenue Loss Due To Abnormal Weather And Should Be Approved (I&E MB, Section XI A, pp. 66-69; OCA MB, Section XI A, pp. 205-42; CAUSE-PA MB, Section XI A, pp. 50-81)

I&E's, OCA's and CAUSE-PA's primary opposition to the WNA is because customers have paid more to Columbia under the WNA than the Company has provided credits to customers.³⁰¹ They argue that this makes the WNA one-sided and asymmetrical, and therefore, unfair to customers.

Contrary to these parties' assertions, there is no dispute that the WNA mechanism is symmetrical and works both ways to refund charges to customers where HDDs are more than 3% colder than normal or charge customers when HDDs are more than 3% warmer than normal.³⁰² Base rates set through each rate case are predicated on normal weather – any adjustment through the WNA is a mechanism to ensure rates approximate what has

³⁰¹ I&E MB, p. 66; OCA MB, p. 207.

³⁰² Columbia St. No. 17-R, p. 7.

been approved. The issue causing more charges to customers than credits to customers is abnormal weather conditions that are outside of the Company's control. The level of charges to customers is not a reason to deny the WNA – in fact it demonstrates why the WNA is necessary to allow the Company a reasonable opportunity to recover its Commission-authorized revenue requirement. Without the WNA, the Company would have under collected the approximate \$74 million that was previously authorized for recovery in prior base rate proceedings with no opportunity to recoup it. Even with the \$74 million that was recovered, the Company was not made whole due to revenue that was uncollected as a result of the deadband.

Under well-established law, a utility must be provided with a fair and reasonable opportunity to earn its authorized return.³⁰³ Without a WNA, abnormal weather conditions do not allow the Company to recover its reasonable and fair costs as authorized by the Commission, given the significant recovery of the Company's revenues in volumetric charges. For these reasons stated herein, in the Company's Main Brief and testimony, the WNA should be approved as a permanent program.

2. The Commission Has Approved A Permanent WNA For Peoples In A Litigated Proceeding (OCA MB, Section XI A, p. 205)

In its Brief, OCA argues that the Commission's approval of Columbia's WNA cannot be based upon "approval of prior WNA mechanisms pursuant to settlement agreements."³⁰⁴ OCA fails to mention that the Commission has previously approved

³⁰³ *Bluefield Waterworks and Imp. Co. v. P.S.C. of West Virginia*, 262 U.S. 679 (1923).

³⁰⁴ OCA MB, p. 205, fn. 837.

WNAs for Peoples in a litigated proceeding over OCA's objections.³⁰⁵ The OCA opposed and fully litigated the WNA in Peoples last base rate proceeding. Parties conducted cross-examination on the WNA, filed briefs, reply briefs, exceptions, and reply exceptions, and the Commission approved the WNA over OCA's opposition. As explained in the Company's Main Brief, its WNA is very similar to the WNA that the Commission approved for Peoples in a litigated proceeding, and unlike proceedings with unanimous settlements, the Peoples WNA proceeding is precedential and instructive.

3. Columbia Has Had Very Few Customer Complaints Regarding The WNA (OCA MB, Section XI A, pp. 222-24)

OCA argues that the WNA should be discontinued because it is disfavored by customers. As support for this argument, OCA cites to the public input hearing testimony of 3 customers.³⁰⁶ The Company does not take this testimony lightly and understands customers' concerns. However, the Company must provide a gas distribution system that is safe and reliable and must have a reasonable opportunity to recover its costs. Without a WNA, abnormal weather conditions do not allow the Company a reasonable opportunity to collect amounts to recover amounts as ordered.

Importantly, as noted in the Company's Main Brief, Columbia has had very few formal customer complaints regarding the WNA.³⁰⁷ This supports the reasonableness of the mechanism and demonstrates the Company's efforts to educate customers about the

³⁰⁵ *PA PUC v. Peoples Natural Gas Company*, Docket Nos. R-2023-3044549, *et al.*, (Order entered Sept. 12, 2024).

³⁰⁶ OCA MB, pp. 222-224.

³⁰⁷ Columbia MB, p. 168.

WNA and to respond to their questions and concerns. In addition, Columbia has not had any issues similar to the ones experienced by PGW, where PGW was required to refund approximately \$12 Million of WNA charges due to high bills in May 2022.³⁰⁸

4. The FPFTY, DSIC and Filing New Rate Cases Does Not Alleviate The Need for the WNA (OCA MB, Section XI A, p. 225)

OCA contends that Columbia does not need the WNA because of the FPFTY, DSIC, and the ability to file a new rate case.³⁰⁹ OCA's argument should be disregarded as none of these mechanisms allow the Company to recover previously authorized revenues that were not recovered due to abnormal weather conditions. FPFTY, DISC and new rate filings are mechanisms established by the Commission to provide for the recovery mechanism for prudent costs incurred by Columbia. However, they incorporate a variable rate design component that can lead to over or under collections due to weather, which the WNA is established to mitigate.

Columbia has had to file frequent rate cases due to the level of capital spend needed to modernize and improve the safety of its system. However, neither a new rate case, the FPFTY or the DSIC allow the Company to recover previously authorized revenues that were lost due to weather.

Without the WNA, the Company will always be put in a position of under-recovering its fixed costs through volumetric rates when weather is warmer and the customer is at risk of over recovery when the weather is colder than normal. This is unfair

³⁰⁸ *Petition of Phila. Gas Works for Emergency Order*, Docket No. P-2022-3033477 (Emergency Order dated July 1, 2022).

³⁰⁹ OCA MB, p. 225.

to the Company, to its customers, and is completely disregarded by the parties. The WNA is necessary to help the Company mitigate under-recovery due to volumetric rates and the FPFTY, DSIC. The ability to file a new rate case provides no relief to the Company, nor protection to relating to volumetric recovery and variations in weather.

5. The OCA’s Cost-Causation Arguments Should Be Denied (OCA MB, Section XI A, pp. 227-28)

There is no real dispute in this proceeding from parties’ witnesses that the Company’s distribution system costs are fixed. I&E witness Sakaya initially testified that there were variable costs in the distribution system, but on cross-examination could not identify any variable costs and admitted that distribution system costs did not vary with usage.³¹⁰ In its Brief, OCA argues, without any support from testimony in this proceeding, “that costs are generally variable in the long run.”³¹¹ This statement either misunderstands or distorts the issue. Columbia’s distribution system costs do not vary from month to month based on the volume of gas that flows through the pipes.³¹²

OCA then makes an argument that the WNA departs from the principles of cost causation because “fixed” is not a category of costs in the ACOS.³¹³ OCA is mixing cost allocation and cost recovery principles. The WNA is related to cost recovery – not cost allocation. The Company’s costs are fixed and do not vary by the volumes of gas that customers use each month – yet the primary cost recovery mechanism is volumetric rates.

³¹⁰ Tr. 432.

³¹¹ OCA MB, p. 228.

³¹² Columbia MB, p. 146.

³¹³ OCA MB, p. 227.

The WNA is designed to help the Company recover its fixed costs that are lost due to volumetric rates when weather is warmer than normal or refund to customer over-recovery of fixed costs when weather is colder than normal.

The Company's customers cause the Company to incur fixed costs to serve them, and the Company is not permitted to recover all of its fixed costs through fixed charges. Therefore, the WNA is needed to help remedy this issue to better align fixed cost causation with cost recovery.

In this section of its Brief, OCA argues that the WNA recovers revenues associated with "value of service" instead of "cost of service."³¹⁴ This assertion wholly lacks merit. The WNA helps to recover revenues that were previously authorized as legitimate costs of service under prior base rate proceedings. The Company is not recovering "value of service" costs, whatever that means, but is recovering its fixed costs to provide a distribution system that delivers gas in peak winter conditions. The value of service is determined by each customer and as such the Company, OCA, nor this Commission would have insights into the value of service that all the disparate, diverse, and unique customers would place on their use of the Company's infrastructure. As such, setting rates based on "value of service" is not defined, nor could be known, and at worst would result in significant price discrimination, an outcome that rate regulation seeks to avoid.

³¹⁴ OCA MB, p. 227.

6. The WNA Does Not Discourage Energy Efficiency And Conservation (OCA MB, Section XI A, p. 230; CAUSE-PA MB, Section XI A, p. 65)

OCA and CAUSE-PA continue to argue that the WNA discourages energy efficiency and conservation.³¹⁵ Mr. Taylor provided a clear example in testimony demonstrating that this notion is incorrect, and it is addressed in the Company's Main Brief.³¹⁶

7. The WNA Does Not Disproportionately Harm Low-Income Customers (OCA MB, Section XI A, p. 233; CAUSE-PA MB, Section XI A, p. 67)

OCA and CAUSE-PA argue that the WNA disproportionately harms low-income customers.³¹⁷ These hypothetical claims of disproportionate impact are not a reason to deny the WNA. The Company addressed this issue in its Main Brief.³¹⁸ The WNA provides benefits to low-income customers by reducing bills in colder than normal months when usage and bills are higher. This bill stabilization, which is completely different than budget billing, is a benefit to low-income customers.

8. The WNA Satisfies the Commission's Policy Factors for Alternative Ratemaking Mechanisms (OCA MB, Section XI A, pp. 209-23; CAUSE-PA MB, Section XI A, pp. 60-68)

OCA and CAUSE-PA argue that the WNA does not satisfy the Commission's Policy Factors for alternative ratemaking.³¹⁹ The Company notes that the policy factors

³¹⁵ OCA MB, p. 230; CAUSE-PA MB, p. 65.

³¹⁶ Columbia MB, p.162.

³¹⁷ OCA MB, p. 233; CAUSE-PA MB, p. 67.

³¹⁸ Columbia MB, pp. 164-165.

³¹⁹ OCA MB, p. 209; CAUSE-PA MB, p. 60.

are not binding on the Commission.³²⁰ However, as explained in the testimony of Mr. Taylor and below, the WNA satisfies the Policy Factors.

a. Alignment With Cost Causation Principles.

This factor is addressed in Subsection 5 above and in Mr. Taylor’s testimony.³²¹ OCA argues that the WNA does not align revenues with fixed and variable cost causation.³²² This argument has been addressed several times by the Company,³²³ and OCA’s position on this issue is quite clearly incorrect.

CAUSE-PA argues that the WNA requires the customers to pay for a product that they are not receiving.³²⁴ This argument is not correct, and the Company addressed this issue in its Main Brief.³²⁵ Columbia must provide a system that is able to deliver gas in peak winter conditions. That is the “product” that customers must pay for. When usage is lower than projected due to weather, the Company still provides a system customers rely on, and the WNA allows the Columbia to collect for the entire costs of the distribution system.

b. Impact on Fixed Capacity Utilization.

This factor is addressed in Mr. Taylor’s testimony.³²⁶ OCA and CAUSE-PA argue that the WNA does not impact this factor.³²⁷ Contrary to these assertions, the WNA

³²⁰ See Section XI B 2, above.

³²¹ Columbia St. No. 17, pp. 29-30.

³²² OCA MB, p. 210.

³²³ Columbia MB, p. 146.

³²⁴ CAUSE-PA MB, p. 61.

³²⁵ Columbia MB, pp. 162-164.

³²⁶ Columbia St. No. 17, pp. 29-30.

³²⁷ OCA MB, p. 210; CAUSE-PA MB, p. 62.

stabilizes revenues which supports investment to meet long-term capacity needs.³²⁸

c. Reflection of Demand Associated with Consumption

This factor is addressed in Mr. Taylor's direct testimony.³²⁹ OCA and CAUSE PA argue that the WNA fails to meet this policy factor.³³⁰ Their position reflects a short-term view of the issue. As explained by Mr. Taylor, customer specific demand is updated through the WNA formula, which is applied to actual usage each month and reflected in real time.

d. Limiting cost shifting.

This factor is addressed in Mr. Taylor's direct testimony.³³¹ OCA and CAUSE-PA attempt to expand the scope of this issue outside the confines of the WNA itself by arguing that the Company's existing rate structure includes interclass cost-shifting.³³² These arguments are unrelated to the WNA and should only be considered in the context of the cost of service study and revenue allocation. As explained by Mr. Taylor, the WNA is customer specific and does not affect interclass or intraclass cost shifting.

e. Eliminate Disincentives for Promotion of Energy Efficiency and Conservation.

This factor is addressed in Mr. Taylor's direct testimony.³³³ As noted by Mr. Taylor, the Company continues and will continue to promote energy efficiency measures.

³²⁸ Columbia St. No. 17, p. 30.

³²⁹ Columbia St. No. 17, p. 30.

³³⁰ OCA MB, p. 211; CAUSE-PA MB, p. 63.

³³¹ Columbia St. No. 17, p. 30.

³³² OCA MB, p. 212; CAUSE-PA MB, p. 64.

³³³ Columbia St. No. 17, p. 31.

f. Customer Incentives for Efficiency.

This issue is addressed in Mr. Taylor’s direct testimony, and in the Company’s Main and Reply Briefs.³³⁴ Contrary to OCA’s and CAUSE-PA’s assertions, customers still have an incentive to employ energy efficiency measures and will experience savings on their bills when they reduce consumption, even with a WNA.

g. Impact on Low Income Customers.

This issue is addressed in Mr. Taylor’s direct testimony, and in the Company’s Main and Reply Briefs.³³⁵ Contrary to OCA’s and CAUSE-PA’s assertions, low-income customers will experience lower bills in winter months when weather is colder than normal and usage is higher. This helps low-income customers mitigate higher winter energy burdens.

h. Rate Stability

This issue is addressed in Mr. Taylor’s direct testimony.³³⁶ OCA argues that the WNA may theoretically provide bill stability but “theoretical bill stability provides little benefits to customers.”³³⁷ CAUSE-PA goes so far as to say that “Columbia has also provided no evidence that customers will see or benefit from more stable distribution charges over time.”³³⁸ These arguments are completely contrary to OCA’s and CAUSE-PA’s long held arguments regarding stable bills. On the very same page where it criticizes bill stability provided by the WNA, OCA suggests that Columbia should expand budget

³³⁴ See Columbia MB, p. 162.

³³⁵ See Columbia MB, p. 164.

³³⁶ See Columbia St. No. 17, pp. 31-32.

³³⁷ OCA MB, p. 216.

³³⁸ CAUSE-PA MB, p. 69.

billing in order to provide bill stability.³³⁹ CAUSE-PA’s witness, Mr. Cicero, admitted on cross examination that bill stability for low-income customers is important.³⁴⁰

The WNA promotes bill stability by adjusting bills back to the same normal HDDs that are used to determine revenues in the base rate case.³⁴¹ The WNA satisfies this Policy Factor.

i. Interaction with Weather.

Mr. Taylor addressed this issue in his direct testimony.³⁴² As explained throughout this proceeding and in the Company’s Briefs, the entire purpose of the WNA is to adjust revenues to account for warmer than or colder than normal weather.

OCA and CAUSE-PA argue that the WNA does not meet the Commission’s Policy Factor with respect to this issue because the WNA has provided more credits to the Company than to customers.³⁴³ The alleged “flaws” that they point to are that weather has been becoming warmer over time and will continue to become warmer. Therefore, they argue that the WNA only benefits the Company and not customers.³⁴⁴ This argument demonstrates the invalid and one-sided approach of the parties – the WNA is only beneficial if it provides more credits to customers than the Company.³⁴⁵ The other parties’ approach puts the Company in an impossible position – the parties’ agree that weather is

³³⁹ OCA MB, p. 216.

³⁴⁰ Tr. 481-87.

³⁴¹ Columbia St. No. 17-R, p. 15.

³⁴² Columbia St. No. 17, p. 32.

³⁴³ OCA MB, p. 217; CAUSE-PA MB, p. 70.

³⁴⁴ See OCA MB, p. 217.

³⁴⁵ Tr. 437.

getting warmer than normal and is likely to continue, they continue to insist on making the Company recover most of its fixed costs through volumetric rates, they continually oppose higher fixed charge, and then they oppose the WNA which provides an avenue to recover a portion of revenues that are lost due to weather. The parties' positions are unreasonable and should not be adopted and would deprive the Company of a reasonable and fair opportunity to recover its authorized revenue requirement.

j. Impacts on the Frequency of Rate Case Filings and Regulatory Lag.

Mr. Taylor explains in his direct testimony that the WNA does not impact rate case frequency or regulatory lag.³⁴⁶ OCA argues that the WNA reduces the “positive effects of regulatory lag.”³⁴⁷ The Company addressed this argument in its Main Brief.³⁴⁸ OCA's arguments regarding regulatory lag as an incentive to reduce costs has no relationship to the WNA. The Company cannot control the weather and cannot recover revenues that are lost due to weather without a WNA.

k. Interaction with Other Revenue Sources.

Mr. Taylor explained in his direct testimony that the WNA is solely focused on recovering costs that are approved as part of base rate revenue requirement and does not interact with other revenue sources.³⁴⁹ CAUSE-PA argues that the WNA works with the

³⁴⁶ Columbia St. No. 17, p. 32.

³⁴⁷ OCA MB, p. 72; See also CAUSE-PA MB, p. 218.

³⁴⁸ Columbia MB, p. 168-169.

³⁴⁹ Columbia St. No. 17, p. 33.

RNA to insulate the Company from lost revenue.³⁵⁰ The Company agrees that the RNA is necessary to protect it from lost revenue and addresses this issue in the RNA section below.

i. Consumer Protections.

Mr. Taylor addresses this issue in his direct testimony, and the Company has addressed it in its Main and Reply Briefs.³⁵¹ The WNA provides substantial consumer protections, including no over-recovery of revenue, no cross subsidization, regulatory oversight, and customer transparency.

OCA's and CAUSE-PA's argument that the WNA allows for over-recovery of earnings is simply incorrect.³⁵² The formula itself protects against over-earning by tying WNA HDDs back to the HDDs that are used to design rates. In addition, when the Company could potentially over-earn due to colder than normal weather – customers receive a credit on their bills.

m. Complexity and Customer Understanding.

Mr. Taylor addresses this issue in his direct testimony.³⁵³ As explained therein, the Company has been offering the WNA since 2013 and provides clear communications to customers. OCA and CAUSE-PA argue that the Company's WNA fails this Policy Factor. The Company addresses this issue in detail in its Main Brief.³⁵⁴ As noted therein, the telling factor on this issue is that the Company has had very few customer complaints regarding

³⁵⁰ CAUSE-PA MB, p. 73.

³⁵¹ Columbia St. No. 17, p. 33; Columbia MB, p. 166.

³⁵² OCA MB, p. 219; CAUSE-PA MB, p. 74.

³⁵³ Columbia St. No. 17, pp. 33-34.

³⁵⁴ Columbia MB, pp. 167-168.

the WNA. The Company has undertaken extensive efforts to address customer questions and issues regarding the WNA mechanism, and the low number of customer complaints shows that these efforts have been successful.

n. Utility Reliability and Improvement Support.

Mr. Taylor explains in his direct testimony that the WNA minimizes volatility of cost recovery of the Company's infrastructure improvement plan.³⁵⁵ OCA and CAUSE-PA argue that the Company has not provided evidence to support this issue.³⁵⁶ The Company has provided support for this issue through demonstrating its capital needs for its infrastructure improvement plan. The Company has extensive capital requirements and is pouring investment into replacing plant.³⁵⁷ The WNA supports this initiative.

9. WNA Alternative Conditions (CAUSE-PA MB, Section XI A, pp. 79-81)

Several of the parties propose alternative conditions in the event that the Commission approves the WNA.³⁵⁸ The Company responded to these proposals in its Main Brief.³⁵⁹ In addition, CAUSE-PA's proposal to exclude CAP customers from the WNA should be denied because as explained by Mr. Taylor, low-income customer usage is highly correlated with weather.³⁶⁰ CAUSE-PA's proposal to implement a per-class reconciliation is not proper because the WNA is designed to operate on a per-customer basis. Likewise,

³⁵⁵ Columbia St. No. 17, p. 34.

³⁵⁶ OCA MB, p. 222; CAUSE-PA MB, p. 77.

³⁵⁷ Columbia St. No. 1, p. 14.

³⁵⁸ *See, e.g.*, CAUSE-PA MB, p. 79.

³⁵⁹ Columbia MB, pp. 169-171.

³⁶⁰ Columbia St. No. 17-R, p. 18.

parties' proposals to dictate actions to be taken in the Company's next base rate proceeding are premature and should be denied. The other parties' alternative proposals should not be adopted.

10. Conclusion As To WNA.

As the Company explained in its Main Brief, the WNA is necessary to mitigate the effects of abnormal weather on the recovery of its authorized revenues. The Company should not be required to solely bear the risk of abnormal weather conditions, while exposing Customer's to the risk of over recovery in months that are colder than normal, and the Company's WNA should be approved as a permanent tariff program.

B. COLUMBIA'S PROPOSAL TO IMPLEMENT THE REVENUE NORMALIZATION ADJUSTMENT SHOULD BE APPROVED

1. The RNA Is A Just and Reasonable Alternative Ratemaking Mechanism (I&E MB, Section XI B, pp. 69-71; OCA MB, Section XI B, pp. 242-273; OSBA MB, Section XI B, pp. 13-14; CAUSE-PA MB, Section XI B, pp. 81-98)

I&E, OCA, OSBA and CAUSE-PA oppose the Company's proposed RNA in this proceeding.³⁶¹ Their primary reason for opposing the RNA is because it allegedly guarantees rate recovery for the Company. This represents a one-sided approach that fails to recognize that the RNA provides revenue stabilization for both customers and the Company. As explained by Columbia witness Taylor, the RNA:³⁶²

... ensures Columbia receives its approved revenue requirement even when long-term usage patterns change while ensuring customers do not pay more than their cost to serve.

³⁶¹ I&E MB, pp. 69-71; OCA MB, pp. 242-271; OSBA MB, pp. 13-14; CAUSE-PA MB, pp. 81-98.

³⁶² Columbia St. No. 17, p. 46, lines 19-21.

Mr. Taylor also explained that 58 out of 151 natural gas utilities have decoupling mechanisms.³⁶³ Revenue decoupling mechanisms, such as the RNA, are a common regulatory tool for NGDCs and customers to provide a reasonable opportunity to recover the Commission-authorized revenue requirement while at the same time protecting customers from over-recovery. The Company provided additional explanations for why the RNA is needed in its MB.³⁶⁴

2. The RNA Satisfies the Commission's Policy Factors for Alternative Ratemaking Mechanisms (OCA MB, Section XI B, pp. 242-273; CAUSE-PA MB, Section XI B, pp. 81-98)

OCA and CAUSE-PA argue that the RNA does not satisfy the Commission's Policy Factors for alternative ratemaking mechanisms.³⁶⁵ Most, if not all, of their criticisms relate to these Policy Factors. Columbia disagrees with their positions and responds to their arguments below. However, the Company also notes that the Policy Factors are not binding on the Commission and some may be viewed as constructive and informative while others may not. Policy statements provide nonbinding guidance and do not have the force of law.³⁶⁶ The Commission made this point clear in its Act 58 Implementation Order when it stated:³⁶⁷

³⁶³ Columbia St. No. 17-R, p. 24.

³⁶⁴ Columbia MB, pp. 172-179.

³⁶⁵ OCA MB, pp. 246-258; CAUSE-PA MB, pp. 84-97.

³⁶⁶ See *Petition of Philadelphia Gas Works for a Statement of Policy on the Application of Philadelphia Gas Works' Cash Flow Ratemaking Method*, 2009 Pa. PUC LEXIS 2018, *20 (December 30, 2009) (policy statements are only an indication of how the PUC intends to proceed); *Pa. Associated Builders & Contrs., Inc. v. Commonwealth Dep't of Gen. Servs.*, 996 A.2d 576, 583 (Pa. Cmwlth. 2010); *R.M. v. Pennsylvania Hous. Fin. Agency*, 740 A.2d 302, 308 (Pa. Cmwlth. 1999).

³⁶⁷ *Act 58 Implementation Order*, pp. 3-4 (emphasis added).

The Commission recognizes that the proceeding at Docket No. M-2015-2518883 began prior to the passage of Act 58 and that both address policy considerations related to alternative ratemaking methodologies available to utilities. The Commission notes, however, that Act 58 and the proposed policy statement, while addressing utility alternative ratemaking, each have a different function in the process of establishing such rates for utilities. As will be discussed more fully below, Act 58 gave the Commission express statutory authority to approve alternative rate mechanisms for electric, natural gas, and water or wastewater utilities and what notices of such ratemaking requests are to be given to customers. While establishing the Commission's express statutory authority to approve alternative rate methodologies, Act 58 did not expressly determine which alternative rate methodology, if any, are to be used by which utility.

On the other hand, the proposed policy statement is intended only to give guidance to fixed utilities and interested stakeholders on what is to be considered when investigating alternative ratemaking methodologies in a Section 1308 rate proceeding. While intending to assist utilities and stakeholders, the policy statement does not establish a binding norm, nor does it establish a predicate for the adoption of an alternative rate mechanism by any fixed utility. The Commission is continuing to review the comments submitted under Docket No. M-2015-2518883, as well as the comments submitted under the above-referenced Docket relating to the proposed policy statement and will consider how to proceed, taking into consideration what, if any, impact Act 58 has on the policy statement and how that policy statement will interact with Act 58.

Therefore, the Commission's Policy Statement cannot serve as the sole basis for rejecting the RNA.

a. Alignment With Cost Causation Principles.

This factor is addressed in Mr. Taylor's testimony.³⁶⁸ As explained by Mr. Taylor, the RNA provides a reasonable opportunity for the Company to recover its Commission-authorized revenue requirement and that customers do not pay more than the cost to serve them. OCA argues that the RNA appears as a fixed charge on customers' bills but recovers costs that vary with throughput.³⁶⁹ OCA's argument is contrary to the record evidence, which demonstrates that the Company's distribution system costs do not vary with throughput. Costs may be allocated based on throughput, but they are still fixed costs.

CAUSE-PA admits that the RNA is mathematically bi-directional and is designed to not allow recovery of more than the authorized revenue requirement, yet CAUSE-PA still argues that the RNA does not align with cost causation principles.³⁷⁰ CAUSE-PA's admissions contradict its conclusion.

b. Impact on Fixed Capacity Utilization.

This factor is addressed in Mr. Taylor's direct testimony.³⁷¹ OCA and CAUSE-PA argue that the RNA does not improve capacity utilization.³⁷² Contrary to these assertions, the RNA stabilizes revenues, which supports investment to meet long-term capacity needs.³⁷³

³⁶⁸ Columbia St. No. 17, p. 48.

³⁶⁹ OCA MB, p. 246.

³⁷⁰ CAUSE-PA MB, p. 84.

³⁷¹ Columbia St. No. 17, pp. 48-49.

³⁷² OCA MB, p. 247; CAUSE-PA MB, p. 85.

³⁷³ Columbia St. No. 17, pp. 48-49.

c. Reflection of Demand Associated with Consumption.

This factor is addressed in Mr. Taylor's direct testimony.³⁷⁴ OCA and CAUSE PA argue that the RNA fails to meet this Policy Factor because the RNA does not reflect actual or anticipated demands.³⁷⁵ As explained by Mr. Taylor, their position is not accurate because the RNA reflects anticipated demand in the FPPTY.

d. Limiting cost shifting.

This factor is addressed in Mr. Taylor's direct testimony.³⁷⁶ OCA and CAUSE-PA argue that the RNA will not limit interclass or intraclass cost-shifting.³⁷⁷ The Company disagrees with these assertions. As explained by Mr. Taylor, the RNA is calculated separately for each class. In addition, within each class, adjustments are made on a per-customer basis.³⁷⁸

e. Eliminate Disincentives for Promotion of Energy Efficiency and Conservation.

This factor is addressed in Mr. Taylor's direct testimony.³⁷⁹ As noted by Mr. Taylor, the RNA breaks the link between revenues and sales volumes and, therefore, removes any financial disincentive for the Company to promote energy efficiency. CAUSE-PA argues that the Company does not currently have a disincentive to promote energy efficiency, but

³⁷⁴ Columbia St. No. 17, p. 49.

³⁷⁵ OCA MB, p. 248; CAUSE-PA MB, p. 86.

³⁷⁶ Columbia St. No. 17, p. 49.

³⁷⁷ OCA MB, p. 248; CAUSE-PA MB, p. 86.

³⁷⁸ Columbia St. No. 17, p. 49.

³⁷⁹ Columbia St. No. 17, p. 49.

fails to fully acknowledge that the Company does, in fact, receive less revenue if customers have more efficient appliances without the RNA.³⁸⁰

f. Customer Incentives for Efficiency.

This issue is addressed in Mr. Taylor's direct testimony.³⁸¹ Contrary to OCA's and CAUSE-PA's assertions, customers still have an incentive to employ energy efficiency measures and will experience savings on their bills when they reduce consumption, even with the RNA.

g. Impact on Low Income Customers.

This issue is addressed in Mr. Taylor's direct testimony.³⁸² The Company has limited the effect of the RNA on low-income customers by excluding CAP customers.

h. Rate Stability

This issue is addressed in Mr. Taylor's direct testimony.³⁸³ OCA and CAUSE-PA do not believe that the RNA will provide bill stability.³⁸⁴ Contrary to their assertions, the RNA supports revenue stability and the RNA over- or under-recovery, which is calculated from the prior year's collected revenues, is spread out over a 12-month period in order to reduce volatility.

i. Interaction with Weather.

Mr. Taylor addressed this issue in his direct testimony.³⁸⁵ As explained therein, the

³⁸⁰ CAUSE-PA MB, p. 87; *see also* OCA Brief, p. 249.

³⁸¹ Columbia St. No. 17, p. 50.

³⁸² Columbia St. No. 17, p. 50.

³⁸³ Columbia St. No. 17, p. 50.

³⁸⁴ OCA MB, p. 251; CAUSE-PA MB, p. 92.

³⁸⁵ Columbia St. No. 17, pp. 50-51.

RNA focuses on nonweather-related revenue variations but also includes weather-related revenue variations that are not captured by the WNA.

j. Impacts on the Frequency of Rate Case Filings and Regulatory Lag.

OCA argues that the RNA reduces the benefits of regulatory lag.”³⁸⁶ Company Witness Mr. Rea addressed this issue in his rebuttal testimony.³⁸⁷ Mr. Rea explained that the regulatory lag concept is outdated with the widespread adoption of infrastructure improvement plans and their accompanying surcharges. Regulatory commissions realize the need to incentivize utilities to make timely investments and repairs.³⁸⁸

k. Interaction with Other Revenue Sources.

Mr. Taylor explained in his direct testimony that the RNA is solely focused on recovering costs that are approved as part of base rate revenue requirement and does not interact with other revenue sources.³⁸⁹ CAUSE-PA argues that the RNA works with the WNA and would deprive customers credits that they would receive under the WNA through the RNA over/under collection in the next year.³⁹⁰ Contrary to CAUSE-PA’s claim, the RNA does not reverse, offset, or otherwise undermine the operation of the WNA; the two mechanisms address different objectives and function independently.

³⁸⁶ OCA MB, p. 253; See also CAUSE-PA MB, p. 218.

³⁸⁷ Columbia St. No. 8-R, pp. 16-23.

³⁸⁸ Columbia St. No 8-R, p. 21.

³⁸⁹ Columbia St. No. 17, p. 51.

³⁹⁰ CAUSE-PA MB, p. 95.

I. Consumer Protections.

Mr. Taylor addresses this issue in his direct testimony³⁹¹ The RNA provides substantial consumer protections, including no over-recovery of revenue, no cross subsidization, regulatory oversight and customer transparency. OCA's and CAUSE-PA's arguments to the contrary should be rejected.³⁹²

Several of the other parties argue that the RNA does not provide consumer protections such as a reduced rate of return, improved quality of service or energy efficiency goals.³⁹³ Columbia disagrees with the parties on this issue for several reasons. First, many other NGDCs have revenue decoupling mechanisms, including the NGDCs in the proxy group that was used to determine a recommended ROE.³⁹⁴ Therefore, if Columbia's proposed RNA is adopted, a reduced rate of return would not be appropriate, since under that scenario, the Company's risk profile would be more consistent with that of the proxy group companies, which already utilize revenue decoupling mechanisms. OCA argues that the Company should tie the RNA to improved quality of service. However, the Company already provides high quality service to its customers.³⁹⁵ As to energy efficiency, the Company already has an EE&C Program and it is proposing a Phase II Plan in this proceeding, which is opposed by I&E and CAUSE-PA.³⁹⁶ The Company is already providing the consumer protections advocated by the OCA.

³⁹¹ Columbia St. No. 17, p. 51.

³⁹² OCA MB, p. 255; CAUSE-PA MB, p. 95.

³⁹³ *See, e.g.*, OCA MB, p. 244.

³⁹⁴ Columbia St. No. 8-R, p. 19.

³⁹⁵ Columbia St. No. 9, pp. 4-36.

³⁹⁶ I&E MB, p. 79; CAUSE-PA MB, p. 135.

m. Complexity and Customer Understanding.

Mr. Taylor addresses this issue in his direct testimony.³⁹⁷ The Company has substantial experience implementing new rate programs, such as the WNA, and will work diligently to educate customers about the RNA and address customer questions. OCA's and CAUSE-PA's arguments to the contrary ignore the Company's extensive capabilities.

n. Utility Reliability and Improvement Support.

Mr. Taylor explains in his direct testimony that the RNA supports reliability improvements by ensuring stable and predictable cost recovery, which is essential for the Company's infrastructure improvement plan.³⁹⁸ OCA and CAUSE-PA inaccurately argue that the Company has not provided evidence to support this issue.³⁹⁹ The Company has provided support for this issue through demonstrating its capital needs for its infrastructure improvement plan. The Company has extensive capital requirements and is making significant investment in replacing plant that is at the end of its useful life and prone to near-term failure.⁴⁰⁰ Adequate recovery of costs through mechanisms like the RNA supports Columbia's ability to finance these safety and reliability improvements.

3. Conclusion As To The RNA

The Company has addressed the other Parties' criticisms with respect to the RNA in this proceeding. The RNA is needed in addition to the WNA to allow the Company an opportunity to reduce revenue loss due to the gross mismatch between recovering fixed

³⁹⁷ Columbia St. No. 17, pp. 52.

³⁹⁸ Columbia St. No. 17, p. 52.

³⁹⁹ OCA MB, p. 257; CAUSE-PA MB, p. 97.

⁴⁰⁰ Columbia St. No. 1, pp. 12-18.

distribution costs through volumetric rates. Many other NGDCs, including NGDCs in the proxy group, already have decoupling mechanisms. The RNA is a just and reasonable rate mechanism, especially considering the Company's extensive infrastructure improvement plan and need for capital to support that plan.

XII. CUSTOMER SERVICE/QUALITY OF SERVICE (OCA MB, SECTION XIII A-G, PP. 287-321; CAUSE-PA MB, SECTION XII A, PP. 101-103)

OCA discusses affordability at length in its MB, in terms of energy burdens for low and moderate income households, inflation, and the cost of living in Columbia's service territory.⁴⁰¹ Based on this discussion, OCA recommends that the Commission direct Columbia to implement: (1) various changes to improve identification of low-income customers; (2) more effective actions to use Universal Service programs to prevent disconnections for nonpayment of confirmed low-income customers; and (3) Columbia's proposed Customer Assistance Program ("CAP") Arrearage Pilot.⁴⁰² Further, based on its affordability discussion, OCA recommends that Columbia's proposal to recover EAT costs through Rider USP be denied.⁴⁰³ Similarly, CAUSE-PA discusses affordability for Columbia's low-income customers in its MB to introduce its recommendation that Columbia be directed to use DHS Data Sharing to auto-enroll customers into CAP.⁴⁰⁴

Columbia understands that rate increases always have an effect on customers, but in order for Columbia to execute on its main replacement program to ensure and maintain

⁴⁰¹ OCA MB, pp. 289-304.

⁴⁰² OCA MB, p. 304.

⁴⁰³ *Id.*

⁴⁰⁴ CAUSE-PA MB, pp. 101-103.

adequate, efficient, safe, reliable and reasonable service, rate increases are unavoidable. Customer and employee safety dictate that Columbia replace its aging infrastructure and at-risk pipe. However, as explained by Columbia witness Paloney: “Columbia is committed to delivering the highest level of customer service to its low-income customers using an all-inclusive approach, starting from the initial contact with an identified low-income customer. Customers are screened and appropriately referred to one of Columbia’s many assistance programs.”⁴⁰⁵ By way of programming for its vulnerable customers, Columbia provides: (1) its CAP, which provides a reduced asked-to-pay amount on bills for income-eligible customers; (2) LIURP, which insulates homes and installs high-efficiency furnaces for eligible low-income customers; (3) the Emergency Repair Program (“ERP”), which assists eligible homeowners with unsafe or faulty heating equipment, gas lines or hot water tanks be repaired or replaced; (4) the Hardship Fund, which provides grants to help payment troubled customers with their gas bills; (5) CARES, which provides assistance to customers with special needs and short-term payment troubles; and (6) the Audits and Rebates (“A&R”) Program, for customers with incomes up to 250% FPIG who do not qualify for LIURP.⁴⁰⁶

Additionally, Columbia maintains a toll-free energy assistance hotline, allowing agencies and community-based organizations to contact the Company’s EAT to coordinate grant approvals and assist with identifying all programs best suited to the needs of their clients that are customers of Columbia. According to Columbia witness Paloney: “This

⁴⁰⁵ Columbia St. No. 9, p. 4.

⁴⁰⁶ Columbia St. No. 9, pp. 4-6.

single point of contact provides Columbia direct, on-going contact with agency representatives allowing staff to build relationships to serve customers with the best possible outcomes.”⁴⁰⁷

With regard to OCA’s Universal Service-related recommendations, Columbia agrees with (1) conducting a thorough review of its workflow and scripting regarding consumer protections and reporting its findings to its Universal Service Advisory Council (“USAC”) within six months of the final order entered in this proceeding; and (2) implementing Columbia’s proposed CAP Arrearage Pilot. However, Columbia opposes the remaining recommendations of OCA and CAUSE-PA as unnecessary or expensive without corresponding benefits, as further explained below.

A. CALL CENTER PERFORMANCE (OCA MB, SECTION IX E, PP. 141-170)

Columbia responds to the OCA’s arguments in its MB concerning call center performance in Section IX D, above. In addition, as explained in Columbia’s MB on pages 179 to 181, OCA’s recommendation that any approved rate increase in this proceeding include a requirement that Columbia maintain its 2024 call center performance levels throughout the FPFTY should be rejected, considering the Company’s improved performance metrics in 2024 and 2025 to date and the lack of any evidence to suggest that the Company is at risk of reverting back to pre-2024 performance levels.⁴⁰⁸

⁴⁰⁷ Columbia St. No. 9, p. 6.

⁴⁰⁸ See Columbia MB, pp. 179-81.

B. CUSTOMER COMPLAINT ROOT CAUSE ANALYSIS (OCA MB, SECTION XII A, PP. 274-78)

OCA recommends that the Company be required to develop and implement a root cause analysis of customer disputes, including formal and informal complaints. OCA further recommends that the root cause analysis be developed using input from interested stakeholders within six months of the adoption of a final order in this proceeding.⁴⁰⁹ As Columbia fully explained in its MB, OCA's proposal should be rejected because: (1) the Company's current process for analyzing and addressing systemic issues through regular reviews and targeted interventions is a more efficient and effective method for improving customer experience than undergoing a formal root cause analysis; and (2) OCA has not demonstrated any need to develop and implement a root cause analysis for customer disputes, including formal and informal complaints.⁴¹⁰

OCA's focus is on form rather than function in its critique of the Company's evaluation process for its customer complaints. OCA relies on Columbia Exhibit NP-2R to support its assertion that the Company does not analyze causes or evaluate patterns in customer disputes, claiming that instead, the Company simply categorizes complaints by reason or issue.⁴¹¹ However, as explained by Columbia witness Paloney, in addition to tracking complaints by reason or issue, the Company's Regulatory Compliance department also holds regular meetings with the call center and other customer-facing teams to review

⁴⁰⁹ OCA MB, p. 274.

⁴¹⁰ Columbia MB, pp. 181-83.

⁴¹¹ OCA MB, p. 276.

complaint trends and address emerging concerns.⁴¹² These collaborative discussions may lead to targeted refresher training or individualized coaching to reinforce proper procedures and improve customer interactions.⁴¹³ OCA has provided no evidence that this process is ineffective; rather, OCA's main issue seems to be that this procedure simply does not conform to the form of analysis recommended by OCA.⁴¹⁴

In its MB, OCA points to an example in which the BCS identified a deficiency in the Company's denial of service letters through the informal complaint process.⁴¹⁵ In that instance, the Company used the information provided by BCS to evaluate its denial of service letters generally and promptly implemented lasting changes to correct the deficiency.⁴¹⁶ OCA speculates that if the Company had undertaken a root cause analysis, then it could have addressed the issue prior to the informal complaint stage.⁴¹⁷ However, OCA provides no support for this assertion and merely assumes that a root cause analysis could have resolved the issue more quickly.⁴¹⁸ In fact, this example demonstrates that the Company's existing review process works efficiently and quickly, as upon notice of the issue the Company took immediate proactive steps to implement lasting process improvements to the benefit of its customers.⁴¹⁹

⁴¹² Columbia St. No. 9-R, p. 24.

⁴¹³ Columbia St. No. 9-R, p. 24.

⁴¹⁴ See OCA MB, pp. 276-277.

⁴¹⁵ OCA MB, p. 277.

⁴¹⁶ Columbia St. No. 9-R, p. 25.

⁴¹⁷ Columbia St. No. 9-R, p. 25.

⁴¹⁸ See OCA MB, p. 277; OCA St. 6-SR, p. 10.

⁴¹⁹ Columbia St. No. 9-R, p. 25.

For these reasons and as more fully explained in Columbia's MB, OCA's proposal to require the Company to develop and implement a root cause analysis for all customer disputes should be rejected.

C. USE OF AUTOMATED SCRIPTS AND BOTS (OCA MB, SECTION XII C, PP. 285-87)

OCA recommends that the Company be required to review its scripts for automated chat programs and IVR scripting to ensure compliance with consumer protection rights.⁴²⁰ In Rebuttal, the Company agreed to conduct a thorough review of its workflow and scripting regarding consumer protections for these areas and to report its findings to its USAC within six months of the final order entered in this proceeding.⁴²¹ While OCA in its MB acknowledges that this commitment is responsive to its concerns, OCA recommends that the Company begin its review process immediately and not wait for the final order in this proceeding.⁴²² Columbia submits that its proposal to report its findings to its USAC within six months of the final order entered in this proceeding provides a reasonable timeline for the Company to report on its progress and should be adopted.⁴²³ Columbia should not be directed to anticipate the Commission's final determination on this issue, and as such, OCA's proposal to implement the review process prior to the final order in this proceeding should be rejected.

⁴²⁰ OCA St. 6, p. 22.

⁴²¹ Columbia St. No. 9-R, p. 27.

⁴²² OCA MB p. 287.

⁴²³ Columbia MB, p. 183.

D. BILLING AND PAYMENT POLICIES (OCA MB, SECTION XII B, PP. 278-83)

OCA recommends that the Company evaluate and report on the effectiveness of its payment plans and related policies and identify potential reforms or enhancements that could improve the overall success rate of these arrangements.⁴²⁴ OCA speculates that if the Company reviews its payment plan policies and identifies “potential reforms,” then the Company could have a greater success with payment plans, and reduce collections costs and future terminations of service, which in turn could lower Columbia’s uncollectible expense.⁴²⁵ As Columbia fully explained in its MB, OCA’s proposal should be rejected because OCA has not demonstrated a need for its proposed comprehensive review and report, and further, the Company’s existing policies are fully compliant with the applicable provisions of the Public Utility Code, the Commission’s orders or regulations, and the Company’s Commission-approved tariff related to payment agreements.⁴²⁶ OCA’s recommendation to require the Company to evaluate and report on the effectiveness of its payment plans and related policies is unnecessary and should be rejected.

E. FIELD TERMINATION TRAINING MATERIALS (OCA MB, SECTION XII B, PP. 278-83)

OCA recommends that the Company be required to revise its training materials and provide additional training to ensure compliance with all applicable consumer protections and rights for residential customers facing service termination.⁴²⁷ As more fully explained

⁴²⁴ OCA MB, pp. 278-80.

⁴²⁵ OCA MB, p. 278.

⁴²⁶ Columbia MB, p. 184.

⁴²⁷ OCA MB, p. 282.

in the Company's MB, OCA's proposal should be rejected because the Company's current termination policies and training materials are fully compliant with all regulatory requirements, and it is unnecessary to require Columbia to revise its field termination training materials.⁴²⁸ The Company maintains that the point of field contact is not the appropriate time to reiterate all consumer protections and rights, particularly given potential safety risks and privacy concerns for both the customer and the field technician. Moreover, the Company's field termination training materials properly address the conditions that would require its employees to cancel a termination order under the Commission's regulations, so further training for employees carrying out terminations is not necessary.⁴²⁹

For these reasons and as more fully explained in Columbia's MB, OCA's proposal to require the Company to revise its training materials and provide additional training to ensure compliance with all applicable consumer protections and rights for residential customers facing service termination should be rejected.

XIII. UNIVERSAL SERVICE PROGRAMS

A. COLUMBIA'S SPEECH ANALYTICS PILOT SHOULD BE APPROVED AS FILED (CAUSE-PA MB, SECTION XII A, PP. 112-15; I&E MB, SECTION XII A, PP. 71-74)

The Commission should approve Columbia's proposed Speech Analytics Pilot as filed. The Company is proposing this Pilot pursuant to the settlement reached in the Company's last base rate case at Docket No. R-2024-3046519, which required the

⁴²⁸ Columbia MB, pp. 185-86.

⁴²⁹ Columbia MB, pp. 185-86.

Company to present a speech analytics pilot no later than the Company’s next Universal Service and Energy Conservation Plan (“USECP”) review or base rate proceeding, whichever comes first.⁴³⁰ For the reasons laid out in the Company’s MB, the Pilot is well-designed, reasonable in scope, and contains sufficient customer protections.⁴³¹ The Commission should reject the arguments of I&E and CAUSE-PA in opposition to the Pilot and adopt the Pilot as proposed.

The Company addressed I&E’s arguments in opposition to the Speech Analytics Pilot in the Company’s MB on pages 190 to 192.⁴³² I&E also argues in its MB that, pursuant to recent Commission precedent, the Speech Analytics Pilot should be proposed in the Company’s next USECP proceeding.⁴³³ I&E claims that a USECP proceeding is more appropriate for consideration of the Pilot because “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.”⁴³⁴

Initially, I&E continues to overlook that the Company was required to propose the Speech Analytics Pilot in this proceeding pursuant to the terms of the settlement reached in the Company’s 2024 rate case.⁴³⁵ In addition, the two cases cited by I&E are inapposite to the Company’s instant proposal. In both cases, the proposals reserved by the

⁴³⁰ Columbia MB, p. 187.

⁴³¹ See Columbia MB, pp. 187-92.

⁴³² See Columbia MB, pp. 190-92.

⁴³³ I&E MB, p. 73 (citing *Pa. PUC v. PECO Energy Company – Gas Division*, Docket No. R-2020-3018929 (Order entered June 22, 2021) (“*Peco 2021 Order*”); and *Columbia 2021*.

⁴³⁴ *Id.*

⁴³⁵ Columbia MB, p. 187.

Commission for a USECP proceeding would have implemented CAP program changes related to customer energy burdens.⁴³⁶ The Commission determined 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.”⁴³⁷ Moreover, PECO had an ongoing USECP proceeding at the time the Commission’s Order was issued, while Columbia had just recently completed a USECP proceeding.⁴³⁸ Here, the Company’s Speech Analytics Pilot does not implement any CAP program changes related to energy burdens.⁴³⁹ The Pilot is simply designed to identify CAP-eligible customers using speech analytics technology and makes no program changes. As such, the cases cited by I&E are not controlling, and the Speech Analytics Pilot can appropriately be considered as part of this proceeding.

CAUSE-PA raises a number of concerns with the proposed Speech Analytics Pilot, which the Company anticipated and fully addressed in its MB and will endeavor not to repeat at length here.⁴⁴⁰ The Company maintains that the expertise of its NiSource Data Science team combined with input from the Company’s USAC will sufficiently address CAUSE-PA’s concerns regarding bias.⁴⁴¹ The Company has also fully addressed CAUSE-PA’s concerns regarding sharing of data, emphasizing that no raw data will be shared with

⁴³⁶ *PECO 2021 Order*, p. 195; *Columbia 2021*, p. 160.

⁴³⁷ *PECO 2021 Order*, p. 195 (citing *Columbia 2021*, p. 160).

⁴³⁸ *PECO 2021 Order*, p. 196; *Columbia 2021*, p.161 .

⁴³⁹ *PECO 2021 Order*, p. 195.

⁴⁴⁰ See CAUSE-PA MB, pp. 112-115; Columbia MB, pp. 188-90.

⁴⁴¹ CAUSE-PA MB, p. 113.

third parties and that the Company will follow its existing procedures for protecting sensitive customer data.⁴⁴²

CAUSE-PA's attempt to tie the Speech Analytics Pilot to the Company's ongoing proceeding relating to on-bill billing should be rejected outright.⁴⁴³ CAUSE-PA pulled that docket into this proceeding at the evidentiary hearing over the Company's objections.⁴⁴⁴ The Company has made no proposals related to on-bill billing in this proceeding. The Company has outlined the purposes of its Pilot, which is to identify words and phrases to assist in identifying potential CAP-eligible customers in order to possibly increase enrollment in CAP, and has made no indication that any data used during the Speech Analytics Pilot will be used to promote on-bill billing.⁴⁴⁵ Moreover, CAUSE-PA has filed a Protest in the on-bill billing proceeding and, therefore, has the opportunity to fully participate in that proceeding and raise its concerns at that docket.⁴⁴⁶ CAUSE-PA's attempt to tie the Company's Speech Analytics Pilot to an unrelated on-bill billing proceeding is entirely unsupported and should be rejected.⁴⁴⁷

For these reasons and as more fully explained in Columbia's MB, the Company's proposed Speech Analytics Pilot should be approved as filed.

⁴⁴² See Columbia MB, pp. 188-90.

⁴⁴³ See CAUSE-PA MB, pp. 114-15.

⁴⁴⁴ Tr. 409-12.

⁴⁴⁵ Columbia MB, pp. 187-88.

⁴⁴⁶ See *Columbia Gas of Pennsylvania, Inc. Affiliate Interest Filing*, Docket No. G-2025-3056022.

⁴⁴⁷ CAUSE-PA MB, p. 115.

B. THE COMPANY’S CAP ARREARAGE PILOT PROGRAM SHOULD BE APPROVED AS FILED (CAUSE-PA MB, SECTION XII A, PP. 115-18)

No party opposes the Company’s CAP Arrearage Pilot Program (“CAP Pilot”). However, CAUSE-PA recommends that the CAP Pilot term be extended to three years with a budget of \$244,200, and that the Company conduct targeted outreach to all potentially eligible customers, including in October prior to the winter heating season and in March before the winter moratorium ends.⁴⁴⁸ As more fully explained in the Company’s MB, CAUSE-PA’s recommendations should be rejected because: (1) the Company’s proposed time frame and budget for the CAP Pilot will provide enough data to analyze results and determine effectiveness of the CAP Pilot prior to the Company’s next USECP filing; and (2) the Company’s proposed outreach, including targeted referrals to the CAP Pilot in the initial months of the program followed by broader outreach to potentially eligible customers if funds remain, is a prudent way for the Company to gauge customer reception of the Pilot and ensure the Pilot is launched smoothly.⁴⁴⁹

As Columbia explained in its MB, CAUSE-PA’s proposal to increase the term and funding for the CAP Pilot is not prudent at this time. The Company placed specific limits on the time frame and budget for the Pilot to ensure that it could be launched smoothly and its results could be evaluated prior to the Company’s next USECP proceeding. Further, the current timing of the Pilot is specifically designed to provide a report in 2029, prior to the next USECP filing, so that the findings can be fully evaluated and considered in the

⁴⁴⁸ CAUSE-PA MB, p. 118.

⁴⁴⁹ See Columbia MB, pp. 192-95.

context of the Company's next USECP.⁴⁵⁰ CAUSE-PA's assumption that ending the pilot after two years "would not provide adequate opportunity for evaluation" is unfounded.⁴⁵¹ Two years is sufficient time for the Company to gauge interest in the Pilot, develop processes and procedures for its implementation, and engage its USAC and other stakeholders.

For these reasons and as more fully explained in Columbia's MB, the Company's proposed CAP Arrearage Pilot should be approved as filed.

C. THE COMPANY'S PROPOSAL TO RECOVER ENERGY ASSISTANCE TEAM COSTS THROUGH RIDER USP SHOULD BE APPROVED AS FILED (CAUSE-PA MB, SECTION XV C, PP. 160-162; OCA MB, SECTION XIII G, PP. 317-21; I&E MB, SECTION VII G, PP. 29-30)

For the reasons explained on pages 195 to 199 of the Company's MB, the Company's proposal to recover EAT costs associated with the administration of Universal Services programs like CARES and CAP through its Rider USP should be approved.⁴⁵² In its MB, CAUSE-PA cautions that recovery through Rider USP should be limited to costs for staff that work exclusively on the Company's Universal Services programs and recommends limiting the proposed tariff language to specifically list the programs and costs that are recovered under Rider USP.⁴⁵³ Columbia anticipated, and responded to, CAUSE-PA's concerns in Section XIII C of its MB.

⁴⁵⁰ See Columbia MB, pp. 192-95.

⁴⁵¹ CAUSE-PA MB, p. 117.

⁴⁵² Columbia MB, pp. 195-99.

⁴⁵³ CAUSE-PA MB, pp. 160-61.

OCA's arguments in opposition to the Company's proposal should be rejected. The Company responded to the majority of the OCA's arguments on pages 197 through 199 of its MB. In addition, while OCA correctly notes in its MB that the Company bears the burden to prove that costs are appropriately recovered through a reconcilable surcharge,⁴⁵⁴ it fails to credit the Company's testimony demonstrating that the EAT costs are directly related to delivering Universal Services.⁴⁵⁵ Further, OCA's argument that the Company should not be allowed to recover EAT costs through Rider USP because the current Rider USP provisions do not include these costs is meritless.⁴⁵⁶ Concurrent with its proposal, the Company is proposing changes to the Rider USP tariff language to account for this change and is seeking Commission approval for those changes in this proceeding.⁴⁵⁷ Simply because the proposal requires amending the tariff language does not prohibit its implementation.⁴⁵⁸

I&E recommended the cost recovery proposal be rejected because it will provide guaranteed recovery of EAT labor costs while eliminating the Commission's authority to review the reasonableness and prudence of the costs and allowing the Company to add or remove employees without scrutiny.⁴⁵⁹ However, as noted in the Company's MB, Columbia's Universal Service programs are subject to a third-party evaluation every six

⁴⁵⁴ OCA MB, p. 321.

⁴⁵⁵ See Columbia MB, pp. 196, 198-99.

⁴⁵⁶ OCA MB, pp. 320-21.

⁴⁵⁷ Columbia MB, p. 195.

⁴⁵⁸ OCA MB, pp. 320-321.

⁴⁵⁹ I&E MB, p. 30.

years, and the Commission’s Bureau of Audits conducts a review of the reasonableness and prudence of all rider-recovered expenses.⁴⁶⁰

I&E also argues that “[f]luctuation in staffing needs is a routine event in business operations for the Company at large for various reasons,” and that “keeping all staffing costs under O&M ensures no duplicate recovery of related costs in base rate proceedings.”⁴⁶¹ In its MB, the Company detailed the increases in EAT staffing in recent years that necessitate the shift in recovery method, which were due to growing demands of coordinating account review and grant approvals with state and local agencies, implementing program changes agreed to in prior rates cases that were proposed by low-income advocates, and participating in the DHS data sharing agreement.⁴⁶² Recovering these additional labor costs through Rider USP will permit the Company to appropriately staff for fluctuating demands only when the additional staffing is necessary.⁴⁶³ The Company also explained in its MB that it will use existing processes, which have been successful in recovering LIURP costs, to ensure that EAT costs are only recovered through the Rider USP.⁴⁶⁴

For these reasons and as more fully explained in Columbia’s MB, the Company’s proposal to recover EAT costs through Rider USP should be approved.

⁴⁶⁰ Columbia MB, p. 197.

⁴⁶¹ I&E MB, p. 30.

⁴⁶² Columbia MB, pp. 196-98.

⁴⁶³ Columbia MB, p. 196.

⁴⁶⁴ Columbia St. No. 16, p. 14.

D. CAUSE-PA'S PROPOSAL TO AUTOMATICALLY ENROLL LIHEAP GRANT RECIPIENTS INTO CAP SHOULD BE REJECTED (CAUSE-PA MB, SECTION XII A, PP. 103-09)

CAUSE-PA proposes that the Company automatically enroll into CAP all customers that receive a LIHEAP grant and agree to share their information via the DHS data sharing agreement.⁴⁶⁵ To facilitate this proposal, CAUSE-PA asks the Commission to require Columbia to file a petition to amend its USECP to implement the auto-enrollment process within 120 days of the Commission's final order in this case.⁴⁶⁶ CAUSE-PA unfairly characterizes the Company's opposition to this proposal as "an excuse to eschew efforts to leverage available data to streamline application requirements and benefit its low income customers."⁴⁶⁷ This hyperbolic language disregards the Company's valid concerns with CAUSE-PA's proposal. The Company understands the value of the DHS data sharing agreement and its potential to increase and facilitate enrollment into the Company's CAP. However, as more fully explained in the Company's MB, CAUSE-PA's proposal is premature because: (1) CAUSE-PA fails to consider practical barriers to auto-enrollment; (2) the Commission has identified a number of serious concerns with a similar automatic enrollment proposal that remains pending; and (3) CAUSE-PA fails to recognize that customers who express interest in energy assistance generally may not want to be enrolled in CAP, an ongoing program with specific requirements.⁴⁶⁸

⁴⁶⁵ CAUSE-PA MB, pp. 103-08.

⁴⁶⁶ CAUSE-PA MB, p. 105.

⁴⁶⁷ CAUSE-PA MB, p. 106.

⁴⁶⁸ See Columbia MB, pp. 199-203.

In its MB, CAUSE-PA acknowledges that automatic enrollment would not work for all customers and that the Commission’s guidance regarding a similar automatic enrollment proposal remains pending in Peoples Natural Gas Company LLC’s (“Peoples”) USECP proceeding.⁴⁶⁹ Nevertheless, CAUSE-PA continues to ask the Commission to direct Columbia to file a petition to amend its USECP to incorporate auto-enrollment within 120 days of the final order in this proceeding, a proposal under which Columbia would also bear the costs related to that potentially litigated case. As more fully explained in the Company’s MB, it is impractical to require the Company to file a separate petition to implement CAUSE-PA’s auto-enrollment proposal while Peoples’ auto-enrollment proposal remains pending before the Commission.⁴⁷⁰ Moreover, the Commission has identified a number of serious concerns with auto-enrollment, including stale income information from the DHS data, differing eligibility and program requirements between LIHEAP and CAP, the impact of enrollment on customers with natural gas suppliers, establishing the proper CAP payment amount and arrearage threshold, and educating auto-enrolled customers on the benefits, responsibilities, and restrictions that come with CAP and how to opt out.⁴⁷¹

At a minimum, administration of any auto-enrollment program using DHS data will require significant program design, labor, and coordination to sufficiently address the

⁴⁶⁹ CAUSE-PA MB, pp. 105-06.

⁴⁷⁰ Columbia MB, pp. 202-03.

⁴⁷¹ See *Petition of Peoples Natural Gas Company LLC – to Amend 2019-2023 Universal Service and Energy Conservation Plan*, Docket Nos. P-2024-3052324, *et al.*, pp. 9-23 (Order entered April 24, 2025).

Commission's well-reasoned concerns. The Company must be afforded the time and managerial discretion to determine whether pursuing automatic enrollment is appropriate.

For these reasons and as more fully explained in Columbia's MB, the Commission should reject CAUSE-PA's automatic enrollment proposal.

E. THE OTHER PARTIES' PROPOSALS FOR ADDITIONAL CAP SCREENING SHOULD BE REJECTED

1. Additional CAP Screening at the Time of Interconnection or Transfer of Service (CAUSE-PA MB, Section XII A, pp. 109-12; OCA MB, Section XIII G, pp. 307-09)

Both CAUSE-PA and OCA recommend a more thorough screening of applicants and customers when customers contact Columbia's call center to connect or transfer service.⁴⁷² Under these proposals, the Company would be required to screen all applicants for their income level at the time they establish or transfer service to identify whether they are low-income or may be eligible for energy assistance.⁴⁷³ As more fully explained in the Company's MB, these proposals should be rejected because: (1) requiring the provision of financial information during initial customer interactions can be perceived as intrusive and lead to a negative customer service experience; (2) the majority of the Company's customers are not identified as low-income; and (3) adopting the proposals would require the Company to hire a minimum of three full-time employees, due to the increased average call handle time.⁴⁷⁴

⁴⁷² See CAUSE-PA MB, pp. 111-12; OCA MB, pp. 307-09.

⁴⁷³ See *id.*

⁴⁷⁴ Columbia MB, pp. 203-04.

In its MB, CAUSE-PA argues that “[s]creening should not add to call center time – nor does it necessarily require additional staff.”⁴⁷⁵ However, Columbia witness Davis’s testimony on this point, explaining that implementing this recommendation would indeed necessitate longer call times and additional staff, should be provided more weight than CAUSE-PA witness Geller’s speculations to the contrary. Ms. Davis has over 30 years of experience at Columbia and is currently responsible for the administration of the Company’s Universal Services programs.⁴⁷⁶ She understands the internal operating procedures of the Company and the time and training required to implement additional screening measures and her knowledge and experience should be credited over Mr. Geller’s unsupported assumption that his recommendations “would not likely add appreciable time to calls.”⁴⁷⁷

OCA, in its MB, argues that the Company’s opposition to additional screening implies that the Company “does not inquire into the potential low-income status of applicants when determining whether a customer must pay a security deposit.”⁴⁷⁸ Without support, OCA assumes that the Company would need only use the same procedures for assessing a security deposit exemption to implement its screening proposal. However, OCA overlooks the fact that not all customers are assessed a security deposit at the time of interconnection or transfer of service, while its proposal would require the Company to

⁴⁷⁵ CAUSE-PA MB, p. 111.

⁴⁷⁶ Columbia St. No. 16, p. 1.

⁴⁷⁷ CAUSE-PA MB, p. 112.

⁴⁷⁸ OCA MB, p. 308.

screen all applicants or transfers.⁴⁷⁹ Thus, OCA’s conflation of these two processes is inapt and its characterization of the Company’s testimony as an “implied” admission of violating the Commission’s regulations related to security deposit exemptions should be outright rejected.⁴⁸⁰

For these reasons and as more fully explained in the Company’s MB, the Commission should deny the OCA and CAUSE-PA proposals to impose additional screening for customers at the time of interconnection or transfer of service.

2. Monthly Review of CAP Accounts (CAUSE-PA MB, Section XII A, pp. 118-19)

CAUSE-PA recommends that the Company begin to review CAP accounts on a monthly basis to ensure customers are receiving the lowest payment option.⁴⁸¹ As explained in the Company’s MB, Columbia’s CAP account review process is automated, and accounts are already reviewed monthly to determine the lowest monthly payment option for each account.⁴⁸² As such, CAUSE-PA’s recommendation has already been addressed.

In its MB, CAUSE-PA suggests that its proposal has not been addressed because the Company’s current USECP states that CAP accounts are reviewed quarterly. As a result, for the first time in its MB, CAUSE-PA recommends that the Company should be required to amend its USECP to clarify that CAP accounts are reviewed monthly.⁴⁸³

⁴⁷⁹ See OCA MB, p. 307.

⁴⁸⁰ OCA MB, pp. 308-09.

⁴⁸¹ CAUSE-PA MB, pp. 118-19.

⁴⁸² Columbia MB, pp. 203-04.

⁴⁸³ CAUSE-PA MB, p. 119.

Initially, this new recommendation should be rejected outright because CAUSE-PA cannot raise a new recommendation at the post-hearing briefing stage.⁴⁸⁴ To the extent this new recommendation is considered, the Company's current practice both complies with its effective USECP and satisfies CAUSE-PA's recommendations. As such, the Company should not be required to amend its USECP.

F. LIURP FUNDING (CAUSE-PA MB, SECTION XII B, PP. 119-25; PWPTF MB, SECTION II, PP. 2-3)

CAUSE-PA and PWPTF seek to increase Columbia's LIURP budget. While Columbia does not dispute the importance of LIURP, the Company submits that LIURP is already adequately funded. As more fully explained in the Company's MB, the Company's current level of funding is five times the Commission's minimum standard, and the availability of its weatherization providers is already stretched thin due to competing priorities and other utilities' needs.⁴⁸⁵ As such, increasing the LIURP budget would only

⁴⁸⁴ The Commission has rejected attempts to raise new proposals for the first time in the briefing stage, when the parties made no attempt to develop the issue during the course of th[e] case" and failed to "present testimony in support of such an adjustment." *Pa. PUC v. Pa. Power & Light Co.*, Docket Nos. R-822169, *et al.*, 57 Pa. PUC 559, 596-97 (Order entered Aug. 19, 1983) (citing *Pa. PUC v Philadelphia Electric Co.*, Docket No. R-811626 (Order dated May 21, 1982) ("Merits aside, it is highly inappropriate for a party to propose a completely new adjustment for the first time in its brief."); *see also Parks v. Pa. Electric Co.*, Docket No. C-2018-3004227, 2024 Pa. PUC LEXIS 365, at *18 (Order entered Dec. 19, 2024) (determining that considering the complainants' requests for relief raised for the first time in the briefing stage would violate the utility's due process rights); *Enron Capital & Trade Res. Corp. v. Peoples Natural Gas Co.*, Docket No. R-00973928C0001, 1997 Pa. PUC LEX 178, at *10-11 (Recommended decision issued Nov. 13, 1997) ("Enron can not be permitted to introduce an argument at the briefing stage which it did not introduce in the evidentiary phase of this proceeding . . . Imposing [the new proposal] without the other parties having notice and an opportunity to be heard would violate their due process rights."), *affirmed*, 1998 Pa. PUC LEXIS 199 (Order entered Aug. 24, 1998).

⁴⁸⁵ Columbia MB, pp. 204-05.

further stretch the resources of the Company’s weatherization providers and lead to unspent funds, and is unnecessary considering the program’s current funding levels.

In its MB, CAUSE-PA claims that there is a “gaping unmet need for [LIURP] services in [Columbia’s] service territory” based on the results of the Company’s LIURP Needs Assessment, which CAUSE-PA claims shows that it would take more than 65 years to weatherize all eligible homes identified.⁴⁸⁶ However, Columbia witness Davis explained the flaws in CAUSE-PA’s reasoning in reaching this conclusion, stating:

Mr. Geller makes several assumptions to reach that conclusion. First, he assumes that all of the homes identified in the needs assessment are eligible for weatherization. However, many of the homes with the highest usage are not structurally sound and therefore, cannot be weatherized, even with the additional support provided by the Company’s Health & Safety Pilot. In addition, many property owners are reluctant to consent to weatherization measures, and the Company cannot weatherize without their cooperation.

Second, the needs assessment includes homes that were previously weatherized but still meet the usage thresholds. Unfortunately, weatherization does not always achieve the desired level of usage reduction, as factors such as the size of the house and occupant behavior can continue to impact energy consumption, even when all feasible improvements have been completed.

Finally, the calculation only considers Columbia funding to assist these homes and does not reflect the availability of federal funds that serve the same purpose. The LIURP program and more importantly, utility ratepayers should not solely bear the burden of weatherizing all potential homes when public funding exists to help meet this need.⁴⁸⁷

⁴⁸⁶ CAUSE-PA MB, pp. 121-22.

⁴⁸⁷ Columbia St. No. 16-R, pp. 9-10.

For these reasons, and as more fully explained in the Company's MB, the Commission should reject the proposals to increase LIURP funding.

G. HEALTH & SAFETY PILOT FUNDING (CAUSE-PA MB, SECTION XII C, PP. 125-29)

CAUSE-PA recommends that the Company's Health & Safety Pilot funds should be separated from the LIURP budget and rolled over if unspent.⁴⁸⁸ As Columbia explained in its MB, CAUSE-PA's proposal to increase funding for the Health & Safety Pilot is not prudent at this time.⁴⁸⁹ Currently, the Company's Health & Safety Pilot has an annual budget of \$600,000, and any unused funds are redirected to support other weatherization measures and heating system repairs.⁴⁹⁰ Importantly, no property has been denied Health & Safety funding due to lack of available funding to date, so the recommended separation and roll-over is unnecessary.⁴⁹¹ Moreover, CAUSE-PA's proposal to separate and roll-over funds could lead to funds that would otherwise be used to weatherize a home outside the Health & Safety Pilot remaining unspent simply because there is no immediate need for funding.⁴⁹² The Health & Safety Pilot acts as an important backstop to allow the Company to remediate pre-existing problems that would otherwise render the home ineligible for weatherization services. As Columbia witness Davis explained, the Health

⁴⁸⁸ CAUSE-PA MB, pp. 125-29.

⁴⁸⁹ See Columbia MB, p. 206.

⁴⁹⁰ Columbia MB, p. 206.

⁴⁹¹ Columbia MB, p. 206.

⁴⁹² Columbia MB, p. 206.

& Safety Pilot is meeting this goal while managing costs, which ultimately allows the Company to reach more customers through LIURP.⁴⁹³

For these reasons, and as more fully explained in the Company's MB, the Commission should reject CAUSE-PA's recommendation to separate Health & Safety Pilot funds from LIURP and roll over unspent funds.

H. HARDSHIP FUND (PWPTF ST. NO 1, P. 7)

In its Direct Testimony, PWPTF recommends that the Company increase its contribution to its Hardship Fund by a percentage equal to any approved increase to residential rates approved in this proceeding and that Hardship Funds be distributed in accordance with the percentage of low-income customers in the counties served by the Company.⁴⁹⁴ PWPTF does not reiterate this request in its MB and instead limits its recommendations to increasing LIURP funding. The Company currently has more than \$1,000,000 in Hardship Funds and the program is adequately funded.⁴⁹⁵ In addition, if the Commission were to direct a shareholder contribution to the Hardship Fund, Columbia would have a right to seek recovery of those funds in rates.⁴⁹⁶ For these reasons and as more fully explained in the Company's MB, PWPTF's proposal that the Commission order Columbia to increase a voluntary contribution should be rejected.

⁴⁹³ Columbia St. No. 16-R, p. 12.

⁴⁹⁴ PWPTF St. No. 1, p. 7.

⁴⁹⁵ Columbia MB, p. 207.

⁴⁹⁶ See Columbia MB, p. 207.

I. CALL SCRIPTING

1. Low-Income Security Deposit Exemption (OCA MB, Section XIII G, pp. 309-15)

In its MB, OCA recommends that the Company be required to modify any policies and practices to ensure that the availability of a low-income exemption to the security deposit requirement is communicated to customers in self-service workflow and scripting within 60 days of a final order issued in this proceeding.⁴⁹⁷ As explained in the Company's MB, Columbia committed in Rebuttal to conducting a thorough review of its workflow and scripting and to implementing changes to ensure customers are aware of the low-income exemption for security deposits.⁴⁹⁸ No additional review of the Company's call scripting related to security deposits is necessary.

2. Hardship Fund Identification Documentation (CAUSE-PA MB, Section XII E, pp. 130-31)

In his Direct Testimony, CAUSE-PA witness Geller identified an internal Company script that had not been updated to reflect a Hardship Fund policy change regarding proof of identity. Specifically, the script did not include all the options available in the Company's USECP for customers to verify their identity other than a social security number.⁴⁹⁹ As a result, CAUSE-PA recommends that the Company be required to form a working group to review in more detail the entirety of the Company's call scripting as it

⁴⁹⁷ See OCA MB, p. 315.

⁴⁹⁸ Columbia St. No. 16-R, p. 17.

⁴⁹⁹ CAUSE-PA MB, p. 130.

relates to collections, checklists, and referrals to Universal Service programs within 90 days of a final order in this proceeding.⁵⁰⁰

In Rebuttal, the Company acknowledged that the specific scripting identified by Mr. Geller was out of date and inconsistent with the Company's updated policy. The Company promptly fixed the issue internally and served a supplemental discovery response providing the updated scripting.⁵⁰¹ The Company does not agree that a working group needs to be convened to scrutinize the entirety of existing call scripting in response to the identification of one scripting issue, which was immediately corrected. As Columbia witness Davis explained, in practice, the Company's scripting is a very large, living document that is updated often.⁵⁰² Moreover, the Company committed in Rebuttal to performing a thorough review internally and sharing the results with its USAC.⁵⁰³ The Company's prompt fix of the scripting at issue, coupled with its commitment to share the results of an internal review with its USAC, more than satisfies the concern raised by CAUSE-PA. CAUSE-PA's proposal for a full review of the Company's call scripting should be rejected.

J. 2024 RATE CASE SETTLEMENT COMMITMENTS (OCA MB, SECTION XIII G, PP. 309-16)

In its MB, OCA raises concerns related to preventing the disconnection of service for nonpayment by confirmed low-income customers.⁵⁰⁴ In order to address these concerns, OCA recommends the extension of certain "pilots" agreed to in the Settlement

⁵⁰⁰ CAUSE-PA MB, p. 130.

⁵⁰¹ Columbia St. No. 16-R, p. 16.

⁵⁰² Columbia St. No. 16-R, p. 16.

⁵⁰³ Columbia St. No. 16-R, p. 17.

⁵⁰⁴ See OCA MB, pp. 309-10.

for the Company’s 2024 rate case (“2024 Settlement Pilots”) by one year and to impose additional reporting requirements for each pilot.⁵⁰⁵

Here, OCA is referencing the following 2024 Settlement provisions:

1. Columbia will work with its Universal Service Advisory Committee (“USAC”) to develop a plain language notice, on a pilot basis, of the right to enter Customer Assistance Program (“CAP”) and the arrearage forgiveness benefits of CAP, to be provided to confirmed low-income customers with arrears of at least \$300. The Company may recover the costs of the pilot notice through its Universal Services Rider. Columbia will report the results and costs of the pilot in its next Universal Service and Energy Conservation Plan (“USECP”) filing.
2. Columbia will work with its USAC to develop a plain language notice, on a pilot basis, of the right to enroll in CAP when a security deposit is waived or refunded pursuant to 66 Pa. C.S. § 1404(a.1) and 52 Pa. Code § 56.32(e). The Company may recover the costs thereof through its Universal Services Rider. Columbia will report the results and costs of the pilot in its next USECP filing.
3. Columbia will work with its USAC to develop a plain language notice, on a pilot basis, to customers at or below 150% of the FPL when negotiating a payment arrangement. The Company may recover the costs thereof through its 21 Universal Services Rider. Columbia will report the results and costs of the pilot in its next USECP filing.
4. Columbia will work with its USAC to develop a plain language notice, on a pilot basis, to customers who have had service disconnected for nonpayment, and who remain disconnected at the time of the Company’s Cold Weather Survey (“CWS”) undertaken for the PUC. The Company may recover the costs thereof through its Universal Services Rider. Columbia will report the results and costs of the pilot in its next USECP filing.
5. Columbia will present a pilot program involving the use of speech analytics no later than the Company’s next USECP review or base rate proceeding, whichever comes first. As discussed in the Direct Testimony of OCA witness Colton, the Company will include the USAC in the development of the speech analytics pilot. The Company may recover the costs thereof through its Universal Services Rider.⁵⁰⁶

⁵⁰⁵ OCA MB, pp. 310-311.

⁵⁰⁶ *See Pa. PUC, et al. v. Columbia Gas of Pa., Inc.*, Docket Nos. R-2024-3046519, *et al.* (Order entered Nov. 21, 2024) (“Settlement Order”), pp. 20-21.

Initially, the Company notes that these Settlement provisions do not define timeframes or specific reporting requirements for any of the 2024 Settlement Pilots and instead simply require that the Company will report the results and costs of the pilots in the next USECP filing.⁵⁰⁷ As such, it is unclear how the OCA’s proposal to extend these pilots by a year would even work. Further, OCA witness Colton recommends that the Commission approve the Company’s 3-year term Speech Analytics Pilot as filed in this proceeding.⁵⁰⁸

OCA argues in its MB that Columbia’s response to its recommendation to amend these 2024 Settlement Pilots was “a bit ambiguous.”⁵⁰⁹ However, Columbia responded to these recommendations in Rebuttal by reiterating its commitment to implementing the terms of the 2024 Settlement Pilots as agreed upon in that case.⁵¹⁰ The Company maintains that the 2024 Settlement Pilots should be implemented pursuant to the terms of the Settlement reached in that case.

OCA justifies its proposal based on the call scripting issue addressed above, as well as general claims that the Company is not effectively using its Universal Service programming to prevent the disconnection of service for nonpayment by confirmed low-income customers.⁵¹¹ However, the Company has updated its call scripting to address the security deposit scripting concern raised by OCA. Moreover, to the extent that OCA argues that these 2024 Settlement Pilots will help the Company prevent the disconnection of

⁵⁰⁷ *Id.*

⁵⁰⁸ See OCA St. 5, p. 74.

⁵⁰⁹ OCA MB, p. 314.

⁵¹⁰ Columbia St. No. 16-R, p. 18.

⁵¹¹ See OCA MB, pp. 313-15.

service for nonpayment for confirmed low-income customers, the Company has already committed to implement them.⁵¹² The modifications that OCA seeks are premature, as the Speech Analytics Pilot is being proposed in this proceeding and the remaining pilots are still being implemented. The terms and requirements of the 2024 Settlement Pilots should not be amended until their effectiveness can be evaluated and the results and costs are reported in the Company's next USECP filing, as agreed upon in Settlement.

Importantly, the Commission has not annulled or set aside its Order approving the Settlement reached in the 2024 rate case, so its terms and conditions continue to be binding on Columbia and all other parties to that Settlement.⁵¹³ OCA cannot now seek to alter the terms of that Commission-approved Settlement by asking the Commission to impose terms that were not included in the original Settlement. The Settlement addresses the terms of the 2024 settlement pilots and their individual reporting requirements. None of the OCA's proposed conditions on these 2024 Settlement Pilots are set forth in that Commission-approved Settlement.⁵¹⁴ The appropriate time to negotiate the length and reporting requirements of these pilots was during settlement of the Company's 2024 rate case. OCA's attempts to re-negotiate now should be rejected.

XIV. ENERGY EFFICIENCY PROGRAM

As described on pages 211 to 215 of the Company's MB, the Company's proposed Phase II Three-Year Energy Efficiency Plan ("Phase II Plan" or "Plan") is projected to be

⁵¹² Columbia St. No. 16-R, p. 18.

⁵¹³ See *Pa. PUC, et al. v. Columbia Gas of Pa., Inc.*, Docket Nos. R-2024-3046519, *et al.* (Order entered Nov. 21, 2024).

⁵¹⁴ See *id.*, pp. 20-21.

cost-effective, both as a whole and through its individual programs. The voluntary Phase II Plan is based on the successful implementation of the Company’s Energy Efficiency Pilot Program (“EE Pilot”), and the updates in the Plan are based on energy efficiency efforts across other NGDC Energy Efficiency and Conservation (“EE&C”) plans in Pennsylvania.⁵¹⁵ Here, the Company is proposing to continue its two existing energy efficiency programs from the EE Pilot and launch a new, third energy efficiency program for small commercial customers.⁵¹⁶ The Phase II Plan will be implemented across three years starting in January of 2026. The Plan’s three programs are designed to help the Company’s residential and small commercial customers reduce their energy consumption, improve efficiency, and conserve resources.⁵¹⁷

The Company describes the numerous projected benefits of the Phase II Plan and the successes of the EE Pilot on pages 209 through 215 of its MB. Highlights of these benefits include that over the three years of the Phase II Plan, the Plan is projected to return a present value of Total Resource Cost (“TRC”) net benefits of \$17.1 Million, in 2025 dollars, with a TRC benefit-cost ratio (“BCR”) of 2.49.⁵¹⁸ Together, the Phase II Plan programs are projected to save 160,000 incremental annual Dths of natural gas and 2.7 million Dths over the lifetime of the measures installed.⁵¹⁹ The Phase II Plan is projected to save 7,629 MWh of electricity and 508 million gallons of water over the lifetime of the

⁵¹⁵ *Id.*, p. 23.

⁵¹⁶ *See* Columbia MB, pp. 211-212.

⁵¹⁷ Columbia MB, p. 209.

⁵¹⁸ Columbia MB, p. 212.

⁵¹⁹ Columbia MB, p. 212.

measures installed. The emissions reduction of over 164,575 short tons of CO₂ is expected to occur from program activity, which is equivalent to removing over 6,286 cars from the road permanently.⁵²⁰ The Plan is also projected to generate between 81 and 162 net additional new jobs over the lifetime of the efficiency measures installed.⁵²¹

While CAUSE-PA and I&E recommend that the Commission deny the Phase II Plan and OCA and OSBA make recommendations to enhance the Plan, no party challenges the projected benefits of the Phase II Plan or claims that the design of any of the individual programs is not cost-effective or unreasonable.⁵²² Rather, OCA and OSBA recommend certain enhancements to the Company's programs, methodology, and reporting.⁵²³ I&E's arguments against the Plan are largely based on its ideological opposition to the approval of voluntary NGDC EE&C plans generally,⁵²⁴ and CAUSE-PA opposes approval of a voluntary NGDC EE&C plan without dedicated and proportionate low-income programming.⁵²⁵ For the reasons below, and as more fully described in the Company's MB, the Commission should reject the other parties' recommendations and approve the Phase II Plan as filed.

⁵²⁰ Columbia MB, pp. 212-13.

⁵²¹ Columbia MB, p. 213.

⁵²² See CAUSE-PA MB, pp. 135-146; I&E MB, pp. 78-83; OCA MB, pp. 322-336; OSBA MB, pp. 14-15.

⁵²³ See OCA MB, pp. 322-336; OSBA MB, pp. 14-15.

⁵²⁴ See I&E MB, pp. 78-83.

⁵²⁵ See CAUSE-PA MB, pp. 135-46.

A. THE COMMISSION SHOULD REJECT THE OTHER PARTIES' RECOMMENDATIONS AND APPROVE THE PHASE II PLAN AS FILED

1. Several of OCA's Recommendations, Including Smart Thermostats and Bonus Rebates, Should Be Rejected (OCA MB, Section XIV A-D, pp. 322-35)

As explained on pages 216 to 217 of the Company's MB, the Company agreed to adopt several of OCA's recommendations regarding its Phase II Plan, including to: (1) use the most recent available market information to support the development of its portfolio in future filings; (2) file all evaluation, measurement, and verification ("EM&V") reports completed on the Phase II Plan programs at this docket; and (3) coordinate with EDC programs, when appropriate.⁵²⁶

Regarding OCA's remaining recommendations, the Company maintains that the recommendation to cover 80-90% of weatherization costs to qualified low-income customers is already covered by Columbia's A&R Program.⁵²⁷ The A&R Program covers up to \$3,600 of weatherization work at no cost for customers up to 250% of the FPIG. The A&R Program can also be stacked with the applicable current EE Pilot programs as well as the proposed Phase II Plan programs, thereby providing eligible customers up to \$4,800 of no-cost insulation and air-sealing measures.⁵²⁸

Regarding the recommendation for Columbia to retain an independent third-party contractor to perform evaluations, the Company maintains that it is has addressed this

⁵²⁶ Columbia MB, pp. 216-17.

⁵²⁷ Columbia MB, p. 216.

⁵²⁸ Columbia MB, p. 216.

concern by retaining Green Energy Economics Group, Inc. (“GEEG”) to perform the portfolio’s evaluations.⁵²⁹ As the Phase II Plan developer, GEEG is well positioned to evaluate the Plan and make future adjustments based on evaluation results while maintaining independence from the Company.⁵³⁰ As OCA concedes, GEEG’s compensation is not tied to the performance of the energy efficiency plan.⁵³¹ While OCA speculates that retaining the same evaluator as plan designer creates the “potential for the planner to have a biased perspective on the program effectiveness and design,” this belief is not supported by any evidence that GEEG is not qualified to independently evaluate the Phase II Plan’s performance.⁵³² The Company maintains that the Plan designer is, in fact, well positioned to evaluate the effectiveness of the Company’s EE&C programs. Moreover, the EE&C Secretarial Letter⁵³³ that the Company used to guide its development of its Phase II Plan contains no requirement that utilities retain a plan evaluator separate from the plan designer.⁵³⁴

Columbia continues to disagree with OCA’s recommendation to only provide rebates for smart thermostats that are also eligible for potential EDC smart thermostat demand response programs.⁵³⁵ The Company’s commitment in Rebuttal to coordinate with EDCs when appropriate sufficiently addresses OCA’s concerns regarding smart

⁵²⁹ Columbia MB, p. 217.

⁵³⁰ *Id.*

⁵³¹ OCA MB, p. 334.

⁵³² OCA MB, pp. 334-35.

⁵³³ *See Re: Voluntary Energy Efficiency and Conservation Program*, Docket No. M-2009-2142851 (Dec. 23, 2009) (“EE&C Secretarial Letter”).

⁵³⁴ *Id.*

⁵³⁵ *See* OCA MB, pp. 329-30.

thermostats, considering the uncertainty of EDC smart thermostat demand response programs, which if included in EDC Phase V Act 129 plans, will not be filed until November 2025 with the programs launched in June 2026.⁵³⁶ Moreover, Columbia's customers should be given the opportunity to purchase and receive rebates for all eligible smart thermostats and to choose a thermostat that best matches their preferences and is compatible with their HVAC equipment.⁵³⁷ OCA's proposal unnecessarily limits customer choice in an EE&C program area that is still being developed, *i.e.*, the adoption of smart thermostat technology into EDC EE&C plans. As such, OCA's proposal to limit eligible smart thermostats should be rejected.

As explained on page 218 of the Company's MB, OCA's recommendation to require Columbia to provide a bonus incentive to customers who install a new heating system along with air sealing and insulation should be rejected because: (1) the proposed bonus rebate does not take system sizing into account, *i.e.*, if the installed measures are not appropriately sized, installing both measures together would not necessarily lead to greater savings; and (2) the RP Program design already provides a rebate for a portion of the incremental cost of each measure.⁵³⁸ Customers that install heating systems and perform air sealing and insulation on their homes at the same time receive rebates for both measures.⁵³⁹

⁵³⁶ See Columbia MB, pp. 217-18.

⁵³⁷ Columbia MB, pp. 217-18.

⁵³⁸ Columbia MB, p. 218.

⁵³⁹ Columbia MB, p. 218.

For these reasons, and as more fully explained on pages 216 through 218 of the Company's MB, the Commission should reject the OCA's recommendations regarding smart thermostats and bonus rebates.

2. The Commission Should Reject CAUSE-PA's Arguments In Opposition To The Phase II Plan And Proposed Alternatives (CAUSE-PA MB, Section XIII A, pp. 135-46)

a. The Company's Voluntary Phase II Plan Is Not Required to Have a Dedicated Low-Income Program (CAUSE-PA MB, Section XIII A, pp. 135-43)

CAUSE-PA opposes approval of Columbia's Phase II Plan because the Company's voluntary EE&C plan does not contain dedicated low-income programming to all customers at or below 150% of the FPIG.⁵⁴⁰ As support, CAUSE-PA argues that Act 129 EDC EE&C Plans are required by statute to include dedicated low-income programming.⁵⁴¹ However, CAUSE-PA concedes that Act 129's requirements do not directly apply to voluntary NGDC EE&C plans.⁵⁴² For the reasons explained below, and as more fully explained on pages 218 through 219 of the Company's MB, CAUSE-PA's arguments in opposition to the Plan should be rejected.

First, CAUSE-PA claims that the Company's reliance on the Act 129 methodology to determine cost effectiveness using the TRC test and in limiting the overall Plan budget is inconsistent with Columbia's position that the Phase II Plan is not required to include a dedicated low-income program.⁵⁴³ CAUSE-PA fails to recognize that the Company is

⁵⁴⁰ See CAUSE-PA MB, p. 135.

⁵⁴¹ CAUSE-PA MB, p. 137.

⁵⁴² CAUSE-PA MB, p. 137.

⁵⁴³ CAUSE-PA MB, p. 137.

relying on the Commission’s EE&C Secretarial Letter for guidance on the Plan’s methodology and evaluation, not Act 129.⁵⁴⁴ While the EE&C Secretarial Letter is not directly applicable to NGDCs, it does provide guidance for voluntary electric EE&C Plans not subject to Act 129. In the absence of specific Commission requirements for voluntary NGDC EE&C plans, NGDCs regularly rely on the EE&C Secretarial Letter for guidance on appropriate voluntary EE&C plan design and methodology.⁵⁴⁵ The EE&C Secretarial Letter directly addresses the Act 129 cost limits and the TRC test referenced by Columbia.⁵⁴⁶ However, the EE&C Secretarial Letter does not address the low-income programming requirement contained in Act 129.⁵⁴⁷ As such, Columbia maintains that the low-income programming requirement of Act 129 is not applicable to voluntary EE&C plans, including Columbia’s Phase II Plan.

Second, the voluntary NGDC energy efficiency plans cited by CAUSE-PA that include dedicated low-income programs were established through settlements, not litigated cases.⁵⁴⁸ Here, CAUSE-PA points to UGI Utilities, Inc. – Gas Division’s (“UGI Gas”)

⁵⁴⁴ Columbia MB, pp. 209-10.

⁵⁴⁵ See, e.g., *Petition for UGI Utilities, Inc. – Gas Division for Approval of its Phase II Energy Efficiency and Conservation Plan*, Docket No. M-2024-3048418 (Recommended Decision issued June 20, 2025), pp. 13-14, *adopted without modification by* (Order entered July 24, 2025).

⁵⁴⁶ See EE&C Secretarial Letter, pp. 1-2.

⁵⁴⁷ See generally, EE&C Secretarial Letter.

⁵⁴⁸ See *Petition for UGI Utilities, Inc. – Gas Division for Approval of its Phase II Energy Efficiency and Conservation Plan*, Docket No. M-2024-3048418 (Order entered July 24, 2025); *Philadelphia Gas Works Universal Service and Energy Conservation Plan for 2014-2016, 52 Pa. Code § 62.4 – Request for Waivers*, Docket No. P-2014-2459362 (Order entered April 25, 2024).

Phase II EE&C Plan and PGW's Phase IV Demand Side Management Program.⁵⁴⁹ The Commission's approval of these energy efficiency plans through settlement was not conditioned on their inclusion of dedicated low-income programming.⁵⁵⁰ Moreover, the settlements themselves contain provisions specifically stating that they were reached through compromise and cannot be cited as precedent in any future proceeding.⁵⁵¹ CAUSE-PA cites no statute, regulation, order, or policy statement explicitly requiring dedicated low-income programming in voluntary NGDC EE&C Plans.⁵⁵²

Importantly, Columbia recognizes the importance of ensuring that low-income customers have access to energy efficiency measures. To date during the EE Pilot, 550 customers have been referred to Columbia's various dedicated low-income programs when they indicated income levels at or below 250% of the FPIG.⁵⁵³ In addition, 180 of the customers who participated in the RP Program during the EE Pilot were identified as confirmed low-income.⁵⁵⁴ The measures received by these customers included boilers,

⁵⁴⁹ See *id.*; CAUSE-PA MB, p. 139.

⁵⁵⁰ See *Petition for UGI Utilities, Inc. – Gas Division for Approval of its Phase II Energy Efficiency and Conservation Plan*, Docket No. M-2024-3048418 (Order entered July 24, 2025); *Philadelphia Gas Works Universal Service and Energy Conservation Plan for 2014-2016, 52 Pa. Code § 62.4 – Request for Waivers*, Docket No. P-2014-2459362 (Order entered April 25, 2024).

⁵⁵¹ See *Petition for UGI Utilities, Inc. – Gas Division for Approval of its Phase II Energy Efficiency and Conservation Plan*, Docket No. M-2024-3048418 (Recommended Decision issued June 20, 2025), p. 12, *adopted without modification by* (Order entered July 24, 2025); *Philadelphia Gas Works Universal Service and Energy Conservation Plan for 2014-2016, 52 Pa. Code § 62.4 – Request for Waivers*, Docket No. P-2014-2459362, Paragraph 30 of the Joint Petition for Settlement filed February 29, 2024, *approved without modification by* (Order entered April 25, 2024).

⁵⁵² See CAUSE-PA MB, pp. 135-142.

⁵⁵³ Columbia MB, p. 219.

⁵⁵⁴ Columbia St. No. 13-RJ, p. 4; Columbia Ex. JAN-1RJ.

furnaces, smart thermostats, and tankless water heaters.⁵⁵⁵ Further, the Company's A&R Program is a dedicated program for customers up to 250% of the FPIG who do not qualify for LIURP. These customers receive a free energy audit and up to \$3,600 worth of energy efficiency improvements to their homes at no cost.⁵⁵⁶ The UGI Gas and PGW plans cited by CAUSE-PA do not offer a program as robust as Columbia's A&R Program.⁵⁵⁷

CAUSE-PA appears to discount the benefits of the A&R Program simply because it is not under the formal EE&C umbrella. Yet, as CAUSE-PA recounts, the A&R Program budget was expanded to address similar low-income programming concerns raised by parties in opposition to the EE Pilot.⁵⁵⁸ CAUSE-PA's request for an increase to the A&R Program in this case, should the Phase II Plan be approved, recognizes that the A&R Program offers valuable energy efficiency assistance to low-income customers.⁵⁵⁹ CAUSE-PA exalts form over function in dismissing the A&R Program's importance in the Company's suite of efficiency measures benefitting low-income customers.

b. CAUSE-PA's Alternative Proposals Should be Rejected (CAUSE-PA MB, Section XIII A, pp. 143-46)

Alternatively, CAUSE-PA proposes that if Plan is approved, either: (1) all confirmed low-income customers should be exempt from the EE Rider; or (2) Columbia should be directed to expand funding for its A&R Program and ERP and rollover any unused funds to the next year. Regarding CAUSE-PA's first alternative, the Company

⁵⁵⁵ Columbia St. No. 13-RJ, p. 4; Columbia Ex. JAN-2RJ.

⁵⁵⁶ Columbia MB, p. 219.

⁵⁵⁷ Columbia St. No. 13-R, p. 15.

⁵⁵⁸ CAUSE-PA MB, p. 143.

⁵⁵⁹ CAUSE-PA MB, p. 144.

explained in its MB how excluding confirmed low-income customers from the EE Rider would remove those customers' eligibility to participate in Plan rebate offerings, which could lead to those customers using more natural gas and higher bills in the long term if those customers install lower efficiency equipment.⁵⁶⁰ As such, the Commission should not exempt all confirmed low-income customers from the EE Rider as a condition to approving the Phase II Plan.

The Company addressed CAUSE-PA's second alternative proposal, to increase funding to the A&R Program and ERP budgets, on pages 220 to 221 of its MB. Here, CAUSE-PA recommends that the A&R Program and ERP budgets be increased by a percentage equivalent to the total cost increase between Phase I and Phase II of Columbia's Plan, or by \$243,750 and \$292,500, respectively.⁵⁶¹ As more fully explained in the Company's MB, the proposal to increase A&R Program and ERP budgets and rollover unused funds is not warranted because: (1) the recommended budget increases fail to account for the addition of the Small Commercial Program and so are not proportionate to the budget increases to the Phase II Plan's residential programs; and (2) the A&R Program and the ERP are already sufficiently funded.⁵⁶²

Further, the Commission should reject CAUSE-PA's implication that the Company's historic A&R Program spending "undermines the prior settlement arrangement" reached in the Company's 2022 rate case.⁵⁶³ As the Company described in

⁵⁶⁰ Columbia MB, p. 220.

⁵⁶¹ CAUSE-PA MB, p. 144.

⁵⁶² Columbia MB, pp. 220-21.

⁵⁶³ CAUSE-PA MB, p. 143.

its MB, since the A&R Program's inception in 2009, no household has been denied assistance due to a lack of funding. Allowing A&R Program funds to roll over each year risks creating a growing surplus of funds collected from ratepayers, which remain unspent over time.⁵⁶⁴ Currently, any unspent funds from the programs are credited during the annual Rider USP reconciliation each February and reduce the total Rider USP collected in the following year.⁵⁶⁵ The Company's customers should not bear additional costs for these already adequately funded programs, and unused funds should be allowed to reduce the total Rider USP during reconciliation.⁵⁶⁶ Considering that the Company has been able to provide A&R Program assistance to all customers who have applied to the Program since 2009, CAUSE-PA's contention that the Company is underspending in this area is unfounded. Further the Company's treatment of unspent funds does not violate any prior settlement term, and any implication that Columbia is somehow retaining these unspent funds would be false.

For these reasons and as more fully explained on pages 218 through 221 of the Company's MB, the Commission should reject CAUSE-PA's recommendations to deny the proposed Phase II Plan or, alternatively, condition its approval on budget increases or low-income customers' exemption from the EE Rider.

⁵⁶⁴ Columbia MB, p. 221.

⁵⁶⁵ Columbia MB, p. 221.

⁵⁶⁶ *Id.*

3. The Commission Should Reject I&E's Arguments In Opposition To The Phase II Plan (I&E MB, Section XIV A, pp. 78-83)

I&E recommends that the Commission deny the Company's proposed Phase II Plan and that the Company's claim for its Phase II Plan be disallowed entirely. In support of its position, I&E argues in its MB that: (1) EE&C plans for NGDCs are not mandated by Act 129; (2) the Company's proposed programs are not necessary to provide safe and reliable service; (3) EE&C plans may not be effective considering the tendency for natural gas appliances to become more efficient over time; and (4) the Company's proposed portfolio-wide administrative costs are too high.⁵⁶⁷ The Company responds to I&E's first three arguments in opposition to the Phase II Plan on pages 222 through 224 of its MB.

With regard to administrative, or non-incentive, costs, Columbia witness Nunley explains that the appropriate standard of review for non-incentive spending is to analyze the level of customer cost to customer value ratio of the Plan.⁵⁶⁸ As Mr. Nunley described:

. . . I&E Witness Patel provides no justification or framework for customer value that he finds acceptable beyond the statement that the Company's 45.41% of non-incentive spending is too high. The Commission, through the Act 129 legislation, and subsequent proceedings and voluntary energy efficiency plan filings, has established the Total Resource Cost ("TRC") test methodology as an appropriate measurement of a plan's economic value. Columbia's proposed EE Plan has a TRC benefit-cost ratio ("BCR") of 2.49. This means that for every \$1.00 invested by ratepayers, a return of \$2.49 is experienced in benefits. This BCR represents an outstanding customer cost-to-value ratio, and the EE Plan overall provides

⁵⁶⁷ I&E MB, pp. 80-81.

⁵⁶⁸ Columbia St. No. 13-R, p. 6.

net benefits under the TRC test of over \$17 million, even after consideration of non-incentive spending.⁵⁶⁹

I&E's focus on customer participation levels overlooks the projected benefits that will be achieved per customer contribution under the Phase II Plan and is not based on the applicable Commission standards for EE&C Plan benefits.⁵⁷⁰

Alternatively, I&E proposes that if the Phase II Plan is approved, the Commission should impose a cap of 20% of the total annual cost on non-incentive costs and any excess non-incentive costs be refunded to customers through the rider.⁵⁷¹ However, this recommendation would be at direct odds with other energy efficiency plans approved by the Commission.⁵⁷² As explained above, the TRC BCR is the Commission's approved determination of customer benefit. Columbia's Phase II Plan is cost-effective as currently proposed and should be approved as so. Limiting expenses in administration, marketing, inspections, and evaluations, as recommended by I&E, would likely have adverse effects on the Plan's ability to help Columbia's customers save natural gas and in turn lower the customer benefits.⁵⁷³

Further, limiting non-incentive costs for a cost-effective EE&E program in its early stages would be counterproductive. For example, limiting marketing costs will likely lead to lower customer participation. Columbia is in its third year of the EE Pilot. Marketing is necessary to ensure that customer awareness is raised about the Phase II Plan's existence

⁵⁶⁹ Columbia St. No. 13-R, p. 6.

⁵⁷⁰ *Id.*

⁵⁷¹ I&E MB, p. 83.

⁵⁷² Columbia St. No. 13-R, p. 7.

⁵⁷³ Columbia St. No. 13-R, pp. 7-8.

at this relatively early stage.⁵⁷⁴ Inspection and evaluation budgets are necessary to ensure that customers applying for rebates actually installed the equipment they are claiming and that the energy savings claimed by Columbia are being realized.⁵⁷⁵ Further reducing these budgets could lead to potentially higher rates of fraud and less accurate savings attribution.⁵⁷⁶

In addition to the necessary marketing, inspection, and evaluation budgets, administrative budgets are necessary to ensure accurate rebate processing, customer payments, and customer service rates.⁵⁷⁷ Limiting these budgets could lead to overall lower energy savings and customer benefits. This would in turn run the risk of making the program less cost-effective, resulting in a poor customer cost to value ratio.⁵⁷⁸ As such, I&E's proposal to impose a 20% cap on non-incentive costs would hinder the Company's effective implementation of its Phase II Plan and risk harming the Plan's integrity and performance.

4. OSBA's Recommendation Regarding Notice of Budget Changes Should be Rejected (OSBA MB, Section XIV, pp. 14-15)

In its MB, OSBA supports approval of the Company's proposed Phase II Plan and makes three recommendations regarding the Plan. First, OSBA recommends that the Commission require Columbia to notify the parties at this docket prior to shifting budgets

⁵⁷⁴ Columbia St. No. 13-R, p. 8.

⁵⁷⁵ Columbia St. No. 13-R, p. 8.

⁵⁷⁶ Columbia St. No. 13-R, p. 8.

⁵⁷⁷ Columbia St. No. 13-R, p. 8.

⁵⁷⁸ Columbia St. No. 13-R, p. 8.

between programs.⁵⁷⁹ Columbia does not agree with this recommendation, and OSBA witness Ewen clarified in Surrebuttal that he only recommends that notice should be required are shifted across sectors (*i.e.*, small commercial to residential).⁵⁸⁰ As Columbia witness Nunley explained, it is crucial for a program administrator to have the ability to adjust budgets to address higher demand in other programs to maintain continuity for customers, contractors, and suppliers.⁵⁸¹ Requiring the Company to notify the parties to this proceeding would unnecessarily interfere with this process with no corresponding benefit. Notwithstanding, the Company agreed in Rebuttal to notify the parties at this docket to the extent funding is intended to be shifted across sectors.⁵⁸² The Commission should, however, reject OSBA's recommendation in its MB to require the Company to notify the parties to this proceeding anytime budgets are shifted between programs within a sector. This aligns with OSBA witness Ewen's clarification in Surrebuttal.

Second, OSBA recommends that the Commission require Columbia to address the following items in its marketing plan: (1) what metrics Columbia will use to measure the effectiveness of marketing; (2) how and when these metrics will be collected; (3) how and when these metrics will be reported; and (4) what Columbia will do if the Small Commercial program is not meeting projected targets.⁵⁸³ As Columbia witness Nunley explained, these items are already reported through either the Company's Annual Report

⁵⁷⁹ OSBA MB, p. 14.

⁵⁸⁰ OSBA St. No. 1S, p. 7.

⁵⁸¹ Columbia St. No. 13-R, p. 18.

⁵⁸² Columbia St. No. 13-R, pp. 18-19.

⁵⁸³ OSBA MB, pp. 14-15.

filing or its EM&V reporting.⁵⁸⁴ The Company maintains that because each of these items already are addressed in the Company's reporting requirements, the marketing plan does not need to be included at this time. The Commission should reject OSBA's second recommendation and approve the Phase II Plan with its existing marketing plan.

Third, OSBA recommends that Columbia should report program participation by rate class in its annual reports and program updates.⁵⁸⁵ Here, Columbia confirmed that it plans to report spending, rebates issued, and energy benefits by rate class for the Small Commercial Program in its Annual Report Filings.⁵⁸⁶ As such, OSBA's third recommendation is already part of the Company's planned reporting, and the Commission should not impose any further Plan reporting requirements.

For these reasons and as more fully explained on pages 216 through 224 of the Company's MB, the other parties' arguments in opposition to the Company's proposed Phase II Plan should be rejected and the Commission should approve the Phase II Plan.

XV. COMPETITIVE SUPPLY ISSUES (OCA MB, SECTION XII C, PP. 283-85; CAUSE-PA MB, SECTION XIV, PP. 146-54)

OCA and CAUSE-PA recommend that the Commission require Columbia to send targeted communications to customers who are enrolled with a natural gas supplier ("NGS") and paying rates that are higher than the Company's Price to Compare ("PTC"). OCA recommends that the Company be required to send targeted educational messages to these shopping customers explaining how to compare NGS charges per therm to the PTC

⁵⁸⁴ Columbia St. No. 13-R, p. 19.

⁵⁸⁵ OSBA MB, p. 15.

⁵⁸⁶ Columbia St. No. 13-R, p. 20.

and “urg[ing]” them to compare rates on a monthly basis.⁵⁸⁷ CAUSE-PA recommends that the Commission require the Company to develop a targeted letter for low-income shoppers⁵⁸⁸ being charged rates higher than the PTC that is sent at least once every six months and includes clear instructions for applying to CAP.⁵⁸⁹

As more fully explained on pages 224 through 227 of the Company’s MB, these proposed communications to shopping customers should be rejected because: (1) Columbia’s current outreach and messaging to its shopping customers are already fully compliant with the Company’s responsibilities under the Public Utility Code, the Natural Gas Choice and Competition Act (“Competition Act”), the Company’s Commission-approved tariffs, and the Commission’s orders issued in both Columbia’s restructuring proceeding and restructuring proceedings generally; (2) the recommended messaging conflicts with the intent of the Competition Act by discouraging customers from exercising their right to shop for natural gas supply; (3) CAUSE-PA’s proposal to target low-income customers specifically is unnecessarily discriminatory to those customers; and (4) no NGSs or industry groups representing NGSs have intervened in this proceeding, and it would be improper for the Commission to impose additional communication requirements related to

⁵⁸⁷ OCA MB, p. 285.

⁵⁸⁸ Columbia notes that its CAP program design prohibits participants from shopping. *See* CAUSE-PA MB, p. 148.

⁵⁸⁹ CAUSE-PA St. 1, p. 60. Mr. Geller’s proposal would also require the Company to “share a draft and solicit input from the parties to this proceeding and members of its USAC regarding the above communications and then petition to amend its CAP application.” *Id.*

competitive supply rates in a proceeding without adequate representation of supplier interests.⁵⁹⁰

OCA argues in its MB that its recommended messaging is necessary because data shows that shopping customers are regularly paying supplier rates in excess of the applicable PTC.⁵⁹¹ OCA further contends that the Company is promoting customer choice without taking any responsibility when customers pay higher prices.⁵⁹² However, no applicable provisions of the Competition Act, the Company's Commission-approved tariffs, or the Commission's orders issued in both Columbia's restructuring proceeding and restructuring proceedings generally require an NGDC like Columbia to take responsibility for the impact on customers who pay NGS rates that are higher than the applicable PTC.⁵⁹³ Customers may have various reasons why they elect to shop, even if the rate they pay is higher than the applicable PTC. The Company is fulfilling its duties under the authorities referenced above by regularly advising customers of the PTC to provide them with information to help make decisions regarding shopping.⁵⁹⁴ The Company maintains that rates charged by NGSs are outside the Company's control, and it is inappropriate and contrary to the Competition Act for NGDCs, as the providers of last resort in their service territories, to discourage customer choice.

⁵⁹⁰ See Columbia MB, pp. 224-27.

⁵⁹¹ OCA MB, pp. 283-84.

⁵⁹² OCA MB, pp. 284-85.

⁵⁹³ Columbia MB, p. 225.

⁵⁹⁴ Columbia MB, p. 225.

In its MB, CAUSE-PA also relies on NGS pricing to justify its recommended messaging.⁵⁹⁵ However, CAUSE-PA strains to find justification in the Competition Act for its proposal, citing provisions of the Competition Act that require the Commission to ensure that Universal Service programs remain available after restructuring and require utilities to provide information to customers regarding their right to choose suppliers.⁵⁹⁶ Columbia does not dispute these provisions of the Competition Act or the importance of its Universal Service programs to customers. These provisions, however, do not support CAUSE-PA's proposal to target a certain group of customers to act as a "big brother" because they shopped for natural gas, as permitted by law, but might be paying more than the PTC. The Company already regularly provides all customers with the information necessary to evaluate the offerings of NGSs.⁵⁹⁷ No additional targeted messaging is required.

The Competition Act was designed to promote competitive natural gas supply, requires the Commission to "allow retail gas customers to choose among natural gas suppliers and natural gas distribution companies to the extent that they offer such natural gas supply services," and states that "[r]etail gas customers shall be able to choose from these suppliers a variety of products, including, but not limited to, different supply and pricing options, and services that evolve as the competitive marketplace matures."⁵⁹⁸ The targeted messaging proposed by CAUSE-PA should be rejected because it could

⁵⁹⁵ CAUSE-PA MB, pp. 146-149.

⁵⁹⁶ CAUSE-PA MB, p. 150.

⁵⁹⁷ Columbia MB, p. 225.

⁵⁹⁸ 66 Pa. C.S. § 2203(2) (emphasis added).

discourage customers from exercising their right to choose their natural gas supplier, which directly conflicts with the purpose of the Competition Act.⁵⁹⁹

Finally, CAUSE-PA unfairly characterizes Columbia's valid concerns with its proposal as evidence that the Company is "indifferent" to the struggles of its low-income customers.⁶⁰⁰ CAUSE-PA took this same approach during the evidentiary hearing, and in its MB cherry picks portions of Columbia witness Kempic's testimony to justify its untenable position.⁶⁰¹ This flawed reasoning should be rejected outright. Contrary to CAUSE-PA's characterizations, during the hearing Mr. Kempic expressed his concern for all customers facing involuntary termination.⁶⁰² Moreover, Mr. Kempic's and the Company's opposition to messaging that would discourage customer choice is fundamentally reasonable given that the purpose of the Competition Act is to promote competition. Columbia's opposition to being required to undertake messaging that NGSs, who are not participating in this proceeding, might consider as interference with their relationships with customers is not equivalent to being "indifferent" to low-income customers.

For these reasons and as more fully explained in the Company's MB, the Commission should reject OCA's and CAUSE-PA's recommendations to require

⁵⁹⁹ Columbia MB, p. 226.

⁶⁰⁰ CAUSE-PA MB, p. 150.

⁶⁰¹ CAUSE-PA MB, p. 149.

⁶⁰² Tr. 391, When asked, "Is it concerning to you that 25 percent of low income shopping customers in Columbia Gas's service territory were subject to involuntary termination?", Mr. Kempic responded, "It's concerning to me when any customer is subject to termination. That's why we have the universal services program for the customers. But we can't force them to take the program." *Id.*

Columbia to send targeted messaging to customers, or specifically to low-income customers, paying supplier rates that are higher than the PTC.

XVI. TARIFF ISSUES (NOT BRIEFED ABOVE)

A. COLUMBIA’S PROPOSAL TO IMPLEMENT RATE EDDS SHOULD BE APPROVED (OCA MB, SECTION XVI A, PP. 336-37; I&E MB, SECTION XVI A, PP. 83-85)

The Company addressed the Rate EDDS issues raised by the other parties in its MB and will keep its further response herein limited.⁶⁰³ The Parties’ primary argument against Rate EDDS is that it is premature because Columbia does not currently have any customers that qualify.⁶⁰⁴ This is an unreasonable argument in the context of Rate EDDS because the Company may lose the opportunity to serve an extremely large customer if it has to wait for Commission approval of the rate until after a customer indicates that it wants service. Further, the argument ignores Columbia’s testimony. As Columbia witness Paloney stated in Rebuttal, the Company has received an inquiry from a potential customer that would qualify under Rate EDDS, and Columbia is in preliminary discussions with this potential customer.⁶⁰⁵

OCA states that the Commission should wait to approve the rate until information is available on the usage characteristics of the customer and how those characteristics are considered in the cost of service study.⁶⁰⁶ This is an impossible requirement because the Company cannot fully obtain usage characteristics and reflect them in the cost of service

⁶⁰³ Columbia MB, pp. 227-231.

⁶⁰⁴ OCA MB, pp. 336-337; CAUSE-PA MB, pp. 154-156.

⁶⁰⁵ Columbia St. No. 9-R, pp. 34-35.

⁶⁰⁶ OCA MB, p. 337.

study until after it provides service to the customer. Moreover, the Company has provided a minimum daily quantity of 110,000 therms per day in the proposed tariff.⁶⁰⁷

I&E continues to express concerns that jurisdictional customers may end up subsidizing Rate EDDS if it is non-jurisdictional.⁶⁰⁸ Contrary to I&E's assertions, the best way to protect customers from subsidizing Rate EDDS is to make the rate non-jurisdictional.

Rate EDDS is not premature and delay in approval creates substantial risk of losing the opportunity to service extremely large load customers. Columbia's sister companies currently serve large load customers,⁶⁰⁹ so Columbia is not blazing a new trail in this regard. The other Parties' arguments in opposition to Rate EDDS are short-sighted in that they ignore the reality that large load customers are currently seeking providers in the Commonwealth and should, therefore, be rejected. Columbia's Rate EDDS should be approved.

B. ELIGIBLE CUSTOMER LIST (CAUSE-PA MB, SECTION XV B, PP. 156-60; OCA MB, SECTION XVI B, PP. 337-42)

In Main Briefs, CAUSE-PA and OCA assert concerns that Columbia's proposed tariff language to comply with the Commission's recent Eligible Customer List ("ECL") Order⁶¹⁰ could be interpreted to allow the Company to share customer information with

⁶⁰⁷ Columbia Exhibit 14, Schedule 2, p. 17.

⁶⁰⁸ I&E MB, p. 85.

⁶⁰⁹ Columbia St. No. 9-R, pp. 35-36.

⁶¹⁰ See *Guidelines for Eligible Customer Lists*, Docket No. M-2010-2183412, (Order entered March 13, 2025) ("*2005 ECL Order*").

third parties other than participating NGSs.⁶¹¹ Columbia submits that these concerns are misplaced and inaccurate.

OCA asserts that the proposed tariff revision “would expand the tariff under the ECL Order to third parties. . .”⁶¹² OCA’s assertion is inaccurate. As explained in Columbia’s MB, Columbia’s proposed tariff revisions did not add the “third parties” language to Columbia’s ECL tariff provisions, and the inclusion of third parties complies with Commission regulations.⁶¹³

CAUSE-PA asserts that the scope of the ECL is only to provide information to licensed suppliers.⁶¹⁴ Again, CAUSE-PA makes this assertion despite the clear provisions of the Commission’s regulations that allow information to be provided to third parties. The Commission’s regulations explicitly permit NGDCs, including Columbia, to “release private customer information to a third party” when certain criteria have been met.⁶¹⁵ In the instance of the ECL, generally that “third party” is the NGS. In determining the appropriate information that should be included in the ECL available for NGSs, however, the Commission clearly contemplated that third parties other than NGSs might have access to the information supplied therein:

⁶¹¹ CAUSE-PA MB, p. 157; OCA MB, p. 338-41.

⁶¹² OCA MB, p. 341.

⁶¹³ Columbia MB, pp. 233-34.

⁶¹⁴ CAUSE-PA MB, p. 157.

⁶¹⁵ 52 Pa. Code § 62.78(a). The criteria include notifying the customer of the intent to release the information and giving the customer a convenient method of advising the entity of the customer’s desire to restrict the release of the private information. Further, even if the customer chooses not to restrict the release of the private information, the customer’s telephone number may not be released to a third party. *Id.*

We already determined that customer telephone numbers are not part of the ECL for the natural gas industry. Nonetheless, we again caution NGSs, other marketers and agents that they remain subject to the provisions of the state and federal “do not call” laws as well as our consumer protection regulations at 52 Pa. Code § 56, *et seq.* (Standards and billing practices for residential utility service).⁶¹⁶

Therefore, while access to the ECL is made available to NGSs, the Commission’s regulations also permit NGSs to “release private customer information to a third party” when certain criteria have been met.⁶¹⁷ As such, an NGS could retain a third party to access the ECL on its behalf to obtain the information for purposes of marketing or creating tailored offers to customers.

In its MB in this proceeding, CAUSE-PA interprets Columbia witness Kempic’s explanatory testimony at the hearing that he was involved in the drafting of this part of the tariff 25 years ago and “[w]e were required to use the word[s] third parties”⁶¹⁸ to mean that the Company can use its ECL tariff to permit the Company to share its ECL data with any third party.⁶¹⁹ Columbia submits that CAUSE-PA’s interpretation of this testimony is wholly erroneous. Clearly, Mr. Kempic was referring to the Commission’s initial discussions regarding the release of private customer information during the transition to

⁶¹⁶ See *Interim Guidelines For Natural Gas Distribution Company Eligible Customer Lists*, Docket No. M-2012-2324075 (Order entered Aug. 15, 2013), at p. 9 (emphasis added).

⁶¹⁷ 52 Pa. Code § 62.78(a).

⁶¹⁸ Tr. 406, ln. 11-19.

⁶¹⁹ CAUSE-PA MB, pp. 157-58.

full retail choice and the promulgation of Section 54.8 the Commission's regulations in 1998.⁶²⁰

In this proceeding Columbia's proposed tariff language accurately and adequately captures the correct interpretation of the Commission's regulations regarding the release of private customer information and the *2025 ECL Order*, which directs NGDCs to make certain changes to customer solicitations for the ECL. There is no conspiracy to permit other non-NGS-related third parties' access to the ECL for Columbia's monetary gain, as alleged by CAUSE-PA and OCA. Columbia may, however, release private customer information to other third parties, so long as certain criteria are met, which is the subject of a separate proceeding at Docket Nos. R-2018-2647577 and G-2025-305602, and which proceeding is completely irrelevant to the ECL. For the foregoing reasons, Columbia's proposed tariff should be approved as presented, and OCA's and CAUSE-PA's recommended changes should be rejected as inconsistent with the Commission's regulations, orders regarding ECLs and the 2025 ECL Order.

XVII. MISCELLANEOUS ISSUES

A. EFFECTIVE DATE OF NEW RATES (I&E MB, SECTION X A, PP. 58-59)

At pages 58 to 59 of its MB, I&E asserts that the Commission should order that Columbia's new rates become effective January 1, 2026. Columbia anticipated, and

⁶²⁰ See *Procedures Applicable to Electric Distribution Companies and Electric Generation Suppliers During Transition to Full Retail Choice*, Docket No. M-0099130, (Final Order entered May 18, 1999), aff'd sub nom *Mid-Atlantic Power Supply Ass'n v. Pa. PUC*, 746 A.2d 1196 (Pa. Cmwlth. 2000).

responded to, I&E's contention in Section XVII A of its MB. I&E's entire argument is based upon what it would like the law to be, not what the law is. The Commission does not have the authority to delay the effective date of rates beyond the end of the statutory suspension period.⁶²¹ As such, I&E's recommendation must be rejected.

B. REPORTING REQUIREMENT (I&E MB, SECTION IV B, PP. 16-17)

I&E recommends that Columbia provide a report by April 1 of 2026 and 2027 updating Columbia's Exhibit No. 108 for actual plant additions and retirements for the FTY and FPFTY.⁶²² As explained in Columbia's MB, Columbia does not oppose this recommendation.⁶²³

C. OSBA'S REQUEST FOR A COMPETITIVE ALTERNATIVE ANALYSIS EVERY TWO YEARS

OSBA did not present argument regarding the timing for a competitive alternative analysis in its MB and, therefore, should be considered to have waived this issue.

D. LONG TERM BUSINESS PLANNING

OSBA's position regarding long-term business planning is addressed in Section XVII D of Columbia's MB and is addressed further in Section III of this RB.

⁶²¹ *Bell Telephone Co. v. Pa. PUC*, 452 A. 2d 86. (Pa. Cmwlth 1982), *aff'd*, 482 A.2d 1272 (Pa 1983); *National Fuel Gas Distribution Corp. v. Pa. PUC*, 464 A.2d 546 (Pa. Cmwlth 1983).

⁶²² I&E MB, pp. 16-17.

⁶²³ Columbia MB, p. 237.

E. METHANE DETECTOR PILOT (I&E MB, SECTION XVII A, P. 85)

I&E proposes that Columbia undertake a methane detection pilot, or in the alternative implement an internal study to determine whether a pilot program is feasible and how Columbia would implement such a pilot program.⁶²⁴

As explained in Columbia's MB,⁶²⁵ the Company investigated the use of Smart Remote Methane Detector ("SRMD") devices and found that the functionality for their deployment is not currently available. However, the Company did commit in Rebuttal to conducting a thorough investigation into the technical and operational requirements necessary to support the integration of SRMDs with Columbia's Advanced Metering Infrastructure ("AMI") and to providing the results of this assessment in its next base rate case filing.⁶²⁶ This commitment appears to meet I&E's alternative recommendation. For these reasons, the Commission should reject implementation of I&E's proposed Methane Detector Pilot at this time and adopt Columbia's proposal to undertake an assessment of technical and operational requirements to integrate AMI and SRMD.

⁶²⁴ I&E MB, pp. 85-86.

⁶²⁵ Columbia MB, p. 243-44.

⁶²⁶ Columbia St. No. 7-R, pp. 6-7.

XVIII. CONCLUSION

For all of the foregoing reasons, Columbia Gas of Pennsylvania, Inc. respectfully requests that Administrative Law Judges Jeffrey A. Watson and Chad Allensworth and the Pennsylvania Public Utility Commission approve the rate increase and other proposals set forth in Supplement No. 392 to Tariff Gas – PA. P.U.C. No. 9 and reject the proposals of other parties as explained in Columbia’s MB and RB.

Respectfully submitted,

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